

DECISIONS

OF THE

RAILROAD COMMISSION

OF THE

STATE OF CALIFORNIA

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SAN FRANCISCO, CALIFORNIA

ASSOCIATION

UNIV. OF CALIFORNIA
**CALIFORNIA RAILROAD COMMISSION
DECISIONS.**

DECISION No. 5730.
CITY AND COUNTY OF SAN FRANCISCO
vs.
SPRING VALLEY WATER COMPANY.
Case No. 842.

IN THE MATTER OF THE APPLICATION OF SPRING VALLEY WATER
COMPANY TO INCREASE RATES.

Application No. 2739.

IN THE MATTER OF THE APPLICATION OF SPRING VALLEY WATER
COMPANY TO DISCONTINUE PREFERENTIAL SERVICE TO SOUTH
PACIFIC COAST RAILWAY AND SOUTHERN PACIFIC COMPANY.

Application No. 2860.

Decided September 3, 1918.

METER INSTALLATION--SERVICE CHARGES--TEMPORARY RATES.--Applicant Spring Valley Water Company granted permission to charge meter rates, which are herein fixed, on condition that if revenue exceeds that which would have been earned by flat rates, such excess shall be held at the disposition of the commission for the benefit of consumers.

(2) Service charges authorized exact from each consumer the cost to the company of standing ready to serve, and therefore pay only for such water as he may use.

(3) Rates fixed are temporary and are established without committing parties and are fixed for the purpose of conserving the water supply of San Francisco.

Robert M. Scarls, for city and county of San Francisco.

Warren Olney, Jr. and *A. C. Greene*, for Spring Valley Water Company.

EDGERTON, LOVELAND and DEVLIN, *Commissioners*.

OPINION.

Pending final hearings in the above-entitled matters Spring Valley Water Company filed a supplementary petition in which it is requested that an order be immediately made authorizing the company to annul the rates now charged for the service of water, and in lieu thereof to charge rates set out in a schedule attached to such supplementary petition.

In presenting this application representatives of the company stated that they desired it to be clearly understood that the suggested rates were to be temporary, to be superseded by such rates as the commission found just and reasonable in any final order after the hearings had been completed and that these rates were designed to obtain for the

company only the income that would have been received from existing rates and were suggested for the special purpose of conserving water. The following paragraph in applicant's petition clearly sets out their position:

"That petitioner does not seek through this supplementary petition or any order resulting therefrom to increase its income. That it is willing to agree that, if this petition is granted, any amount collected by it under the rates set forth in Exhibit A in excess of what would have been derived through the application of the rates now in force will be held by petitioner subject to the order of this commission, pending such order as this commission may make in its final decision in this case."

Applicant is now serving water for all residential use under flat rates although for some time past meters have been installed covering approximately 90 per cent of all services. No use has been made of the meters at dwellings except to measure the quantity of water consumed and in applying penalty for excess and waste under the city ordinance in effect.

Applicant urges as a reason for the immediate establishment of meter rates that it is now vitally necessary that water be conserved in order to avoid a possible shortage and that the only effective method of conserving water is to place a charge based on the quantity of water consumed so that the waste of water now occurring under the flat rates will be largely overcome by the inducement to consumers to save expense by using water with greater care and less wastefulness.

By way of showing the necessity for conserving water, applicant presents its records which show the rainfall in the last five seasons to be as follows:

1912 and 1913, 109% of normal annual rainfall
1913 and 1914, 112% of normal annual rainfall
1914 and 1915, 102% of normal annual rainfall
1915 and 1916, 71% of normal annual rainfall
1916 and 1917, 41% of normal annual rainfall

By the term "normal" rainfall is meant the average rainfall for a period of forty years.

The last three years have been unusually dry years and this coupled with the increasing demand for water has depleted the reserve supply below that ordinarily maintained.

From evidence introduced by applicant at the hearing herein it is evident if the rainfall for the year 1918-1919 is only normal and the present consumption of water continues it is doubtful that there will be a sufficient supply of water for all purposes and if the rainfall for this coming year is below normal there will in all probability be an actual shortage as compared with present consumption.

The situation here presented is such as to fully warrant an immediate order establishing meter rates. With the evidence before us in this proceeding and the actual experience now being had in this immediate vicinity of the serious effects upon the community of a water shortage we believe that every reasonable means should be immediately availed of to avoid a condition whereby there will be insufficient water for all the needs of this community.

The proposal of the company is fair, to wit, that the rates now established shall not result in any increased revenue or profit and in the event that through inadvertence or as a result of conditions impossible to estimate accurately, a greater revenue should be produced, all over-plus over present revenue shall be held at the disposition of the commission for the benefit of the consumers.

Notwithstanding that wide publicity and notice was given of this supplementary petition no protest was made at the hearing or since to the commission against the immediate establishment of meter rates.

It becomes our duty therefore to consider how most accurately and fairly to spread the burden of the equivalent of the company's income agreed to be \$3,632,252.00 annually, as of 1917, over the various classes of consumers.

We have given this matter very extensive and careful consideration and have arrived at the conclusion that the sound basis for establishing these rates is that there should be first a service charge based on the size of meter, which service charge is to be paid by all consumers regardless of the amount of water used.

This in distinction to the establishment of a minimum charge which involves the payment of a fixed sum by each consumer based on the size of the meter used and which sum includes a service charge together with a charge for a given quantity of water whether used or not. The minimum charge is invariably higher than the service charge and it involves the payment by each consumer for a fixed amount of water regardless of whether or not he uses it. There is no answer known to us which can be made to the man who complains that under a minimum rate he is compelled to pay the same amount for one hundred cubic of water as his neighbor pays for three or four hundred cubic feet of water, depending on the amount fixed for minimum use.

On the other hand the establishment of a service charge is designed to exact from each consumer the cost to the company of standing ready to serve and thereafter to pay for only such water as he may use.

We believe that under the conditions of service we are dealing with herein the service charge once established and thoroughly understood will be agreed to as the fairest and most equitable method of fixing rates.

After fixing the service charge we have given consideration to the charge per hundred cubic feet for water used, and in this connection we have recognized the so-called wholesale principle.

We have also given consideration to the wisdom of so establishing these temporary rates as to avoid more violent changes in existing conditions than are necessary.

Throughout California flat rates for water service have come to be recognized as unfair and inequitable as between consumers. These rates encourage the wasteful and selfish user to impose an unfair burden upon the thrifty and considerate.

The equity and fairness of rates by measurement can not be successfully challenged.

With these considerations in mind we have adopted the meter rates set out in the order.

ORDER.

Application having been made by supplementary petition by Spring Valley Water Company for an order authorizing that company to change its rates, and a public hearing having been had,

It is hereby ordered by the Railroad Commission of the state of California that Spring Valley Water Company is hereby authorized to charge the following rates on all meter readings after the fifth day of September, 1918:

Public Use.

Fire hydrant rentals as provided for by city ordinance in effect.

All water used through meters at general use charges.

Water used for street sprinkling and flushing sewers considered as one amount, although taken from various hydrants.

Road and street hydrants, other than fire hydrants, to be charged at the rates now in effect.

General Use Charges Monthly.

Service charge for each meter in use:

Size meter	Per month
3" -----	\$0 65
4" -----	1 00
1 " -----	1 50
1½" -----	2 50
2 " -----	4 50
3 " -----	8 00
4 " -----	12 50
6 " -----	25 00
8 " -----	40 00

For water delivered:

Between 0 and 3,300 cubic feet at 24 cents per 100 cubic feet.

Between 3,300 and 33,300 cubic feet at 21 cents per 100 cubic feet.

Above 33,300 cubic feet at 18 cents per 100 cubic feet.

Flat Rates for Street Work.

Where it is not practical to meter water for street construction work, the following rates shall apply:

For water required for concrete, brick, rubble or other masonry construction, per cubic yard-----	10 cents
For water required for each barrel of cement or lime for any other purpose -----	10 cents
For water required for grading streets, including water used by steam roller, per 100 square feet-----	8 cents
For water required for settling earth fills, grading and back-filling trenches, including water required by steam roller, per cubic yard of earth -----	4 cents
For water required for small steam or gas engines used on construction work per eight-hour day-----	40 cents

Provided, that this order and the rates herein established shall commit neither this commission nor any of the parties to these proceedings to these rates as just and reasonable, except for the temporary purpose set out in the foregoing opinion and it shall be understood that this whole proceeding shall go forward to final hearing and order wherein the final just and reasonable rates to be charged by Spring Valley Water Company shall be fixed.

Provided, further, that Spring Valley Water Company shall file with this commission monthly statements beginning on the first day of October, 1918, setting out fully and in detail the results of the application of the rates herein established and shall at all times hold at the disposition of the commission for the benefit of consumers any overplus in the revenue derived from these rates as compared to the revenue which would have been derived from the rates now in effect.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this third day of September, 1918.

DECISION No. 5731.

IN THE MATTER OF THE APPLICATION OF PACIFIC ELECTRIC RAILWAY COMPANY FOR PERMISSION TO INCREASE PASSENGER FARES.

Application No. 3791.

Decided September 4, 1918.

INTERURBAN ELECTRIC FARES - RATE BASE - BEACH ZONES.--Applicant shows a total corporate deficit of \$5,958,008.00 since 1911, and is granted increase of rates intended to produce \$1,136,000.00 during fiscal year ending May 31, 1919; increase granted not regarded as adequate to meet increased operation expenses.

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(2) Rate base a $5\frac{1}{2}$ -mile radius zone in city of Los Angeles, plus 3 cents a mile per one way, $2\frac{1}{2}$ cents for round trip fares.

(3) Beach zones treated as excursion points regardless of distance.

Frank Karr, for Pacific Electric Railway Company.

Albert Lee Stephens, for city of Los Angeles.

Frank L. Perry, for city of Redondo Beach and city of Manhattan Beach.

Victor R. McLucas, for city of Santa Monica.

W. E. Evans, for city of Glendale.

M. Estudillo, for city of Riverside.

Frederick Baker, for city of Azusa.

W. A. Vandegrift, mayor; *City Attorney Guerin*, and *Charles P. Bayer*, for city of Pomona.

Thomas B. Reed, for city of Covina.

R. B. Bidwell, for city of Glendora.

H. A. Decker, for city of San Fernando.

O. J. Fairchild, for city of Pasadena.

W. H. Porter, for city of Hawthorne.

William Harlett, for city of South Pasadena.

George R. Fisher, for patrons of Los Angeles.

Thomas A. Berckbile, for city of Monterey Park.

Victor G. Watkins and *W. A. Blanchard*, for city of Burbank.

S. A. Waldron, for city of Venice.

L. Baird and *F. A. Cattern*, for Bairdstown Improvement Association.

C. A. Rice, for Los Angeles workers and shipyards.

G. W. Collins, for Ocean Park Pier Company.

W. F. Dunn, for cities of Arcadia and El Monte.

John P. Dunn, for city of Monrovia.

Martin F. Betkouski, for Hollywood Board of Trade.

C. Cole, for Santa Monica lines.

W. W. Phelps, for city of Hermosa Beach.

J. B. Beaman, for city of Watts.

C. E. Spencer, for City Attorneys Association of Southern California.

J. G. Wingert, city attorney of Whittier, for city of Whittier.

Rush M. Blodget, city attorney of Venice, for city of Venice.

D. L. Bathurst, assistant city attorney of Long Beach, for city of Long Beach.

O. E. Williams, for South and West Civic Federation of Hawthorne.

Charles W. Hoag, for Culver City.

Alfred Barstow, city attorney, for city of Alhambra.

P. H. Burke, for city of Culver City.

John Munger, city attorney, for city of Pasadena.

A. P. Nelson, city attorney, for city of Huntington Beach.

LOVELAND, *Commissioner*.

OPINION.

Applicant, an electric railroad corporation, alleging that present revenues are insufficient, prays for permission to make increases in its passenger fares to such extent that the revenues derived therefrom when added to its present earnings will enable it to meet fixed charges and operating expenses. It is not asking for a return upon investment or on the value of the property devoted to the service.

A brief history of the origin of this company and the extent and character of its operations will be appropriate at this time.

The Pacific Electric Railway Company was formed September 1, 1911, by the consolidation of the original Pacific Electric Railway Company and seven other railroads operating in southern California, all of which, prior to this consolidation, were separately organized corporations.

The rails of this company extend in and through the counties of Los Angeles, Orange, Riverside and San Bernardino where more than 600 miles of road are operated. The method of operation, as the name implies, is by electric power. A glance at the map shows a literal network of roads radiating from Los Angeles, the physical and operating center of this large system.

A rapid interurban transportation service is maintained in consequence of which the worker in the city is enabled to make his home in the outlying sections.

The continued growth of these residence districts has developed a steady current of commutation traffic to and from Los Angeles and other industrial centers.

A considerable portion of the territory served by this company is also reached by the Southern Pacific, Santa Fe and Salt Lake roads and numerous and well paved highways in this section of the state lend themselves to automobile transportation with which it also enters into severe competition.

While applicant furnishes both freight and passenger service, it is dependent on the latter for its principal source of income, the revenue derived from passenger traffic amounting to approximately 75 per cent of the gross earnings.

Applicant has a bonded indebtedness of \$58,141,000.00 and unfunded debt of approximately \$10,000,000.00. There is an outstanding stock issue of \$34,000,000.00 which is owned by the Southern Pacific Company and on which no dividends have ever been paid. Since its incorporation in 1911 this company has failed to earn operating expenses and fixed charges, the total corporate deficit as of April 30, 1918, being \$5,958,008.39.

Applicant alleges, and has showed by uncontroverted testimony, that present revenues are insufficient to meet operating expenses and fixed charges. In support of this contention an exhibit was filed from which the following table has been prepared:

Income Statement.

	Twelve months ending April 30, 1918. (Actual)	Twelve months ending May 31, 1919. (Estimated)
Operating income—		
Railway operating revenues.....	\$9,678,508 15	\$10,815,250 00
Railway operating expenses.....	6,601,979 67	8,440,977 27
Net revenue—railway operations.....	\$3,076,528 48	\$2,374,272 73
Taxes assignable to railway operations.....	514,781 75	540,172 00
Operating income	\$2,561,746 73	\$1,834,100 73
Nonoperating income	115,333 00	73,980 70
Gross income	\$2,707,079 82	\$1,908,081 43
Deductions from gross income—		
Rent for leased roads.....	\$18,231 81	\$52,222 16
Miscellaneous rents	1,239 27	1,316 68
Interest on funded debt.....	2,826,987 44	2,816,189 77
Interest on unfunded debt.....	520,205 50	665,657 05
Amortization of discount on funded debt.....	87,983 23	87,895 13
Miscellaneous debits	6,678 72	10,046 51
Total deductions from gross income.....	\$3,191,325 97	\$3,633,327 33
Income balance transferred to profit and loss (deficit)	\$784,246 15	\$1,725,245 90

From the preceding tabulation it will be seen that applicant's net revenue from railroad operations is more than absorbed by certain fixed charges, the largest item of which consists of bond interest; in fact, this one item exceeds the amount of income remaining after the payment of operating expenses and taxes.

While it is estimated that some \$1,136,000.00 of new operating revenue will be obtained, the table shows that this will be more than overcome by the estimated increase of approximately \$1,838,000.00 in expenses and that the result for the fiscal year ending May 31, 1919, will show an even greater deficit than for 1918.

An item of \$665,657.05 appears in the foregoing table representing interest on unfunded debt. A witness for applicant testified that it has an investment in nonproductive lands which is offset by a floating debt due its stockholders. Assuming this interest item to cover the money invested in nonproductive property and eliminating it altogether there will still remain a deficit for the estimated period of more than \$1,000,000.00. The reason for this financial showing will be more clearly apparent from a perusal of the detail of the operating expenses and

revenues, present and proposed, which are set forth in the following table:

Railway Operating Revenues.		
	Twelve months ending April 30, 1918. (Actual)	Twelve months ending May 31, 1919. (Estimated)
Revenue from transportation--		
Passenger revenue	\$7,011,414 79	\$7,840,000 00
Baggage revenue	1,353 43	1,000 00
Parlor, sleeping, dining and special car revenue...	1,602 55	2,000 00
Mail revenue	24,744 19	25,000 00
Express revenue	151,702 98	151,000 00
Milk revenue	529 59	700 00
Freight revenue	2,142,919 98	2,477,400 00
Switching revenue	43,459 86	50,000 00
Miscellaneous transportation revenue.....	1,927 74	1,850 00
Total revenue from transportation.....	\$9,379,655 13	\$10,518,950 00
Revenue from other railway operations--		
Station and car privileges, storage, demurrage, rent of equipment, etc.....	298,853 02	266,300 00
Total operating revenue.....	\$9,678,508 15	\$10,815,250 00

Railway Operating Expenses.		
	Twelve months ending April 30, 1918. (Actual)	Twelve months ending May 31, 1919. (Estimated)
Way and structures.....	\$973,852 81	\$1,457,640 77
Equipment	933,570 60	1,345,166 79
Power	1,159,946 54	1,207,150 00
Conducting transportation	2,590,038 66	3,322,474 25
Traffic	137,912 91	185,470 60
General and miscellaneous.....	866,737 07	963,074 86
Transportation for investment (credit).....	60,078 92	40,000 00
Total operating expenses.....	\$6,601,979 67	\$8,440,977 27

The amounts shown in the preceding tables are as stated therein actual for the twelve months ending April 30, 1918.

The estimated passenger revenue for the fiscal period ending May 31, 1919, is based on a travel check for a certain period and taking into consideration changes in the character of travel which it is expected will result in consequence of the rearrangement of the rate structure. To this amount has been added the increase in revenue anticipated from freight and other sources.

The approximated operating expenses for this period are predicated chiefly on increased wages already granted and prevailing prices of materials and supplies.

Applicant has made the same increases in wages as were accorded employees of the roads under federal control. It is unnecessary to go into the detail of these wage increases but will suffice to state that in December, 1915, the monthly pay roll of this company was \$346,321.45 for 4,433 employees or an average of \$76.08 which in June, 1918, rose to \$484,738.41, making an average for the same number of employees of \$109.35 per month or an annual increase of \$1,661,003.52.

As illustrative of the increased costs of materials and supplies, the following items are reproduced from exhibit filed on behalf of applicant:

Comparative Cost of Materials and Supplies.

Commodity	Unit	Dec., 1914	Dec., 1915	June, 1918
Air brake material.....		*	*	†
Car axles	Cwt.	\$2.60	\$3.80	\$5.20
Journal boxes	Each	2.28	2.34	5.80
Brooms, household	Dozen	3.00	2.46	7.00
Castings, malleable iron.....	Lb.	.032	.03275	.0825
Conduit, 1/2" black.....	C ft.	3.48	3.52	7.56
Distillate	Gal.	.05	.05	.10
Duck, white cotton.....	Yd.	.095	.115	.32
Lamps, switch	Dozen	50.90	50.90	81.65
Metal, babbit	Lb.	.495	.495	.90
Armature coils (38-B).....	Set	18.90	23.50	42.45
Brackets, telephone transposn...	C	12.70	19.80	37.70
Poles, trolley	Each	1.825	2.00	3.65
Rail	Gross ton	30.00	30.00	57.00

*25% off catalog price.

†37% added to catalog price.

Numerous other items might be mentioned but those shown are sufficiently representative. The statement may conservatively be made that practically everything entering into the operation of railroads has greatly increased and prices are still ascending.

The new fares which applicant proposed to establish are constructed in the following manner:

INTERURBAN FARES.

One-way fares based 3 cents per mile. Round trip $2\frac{1}{2}$ cents per mile with maximum increase in present fares of 20 per cent. Children 5 years or over and under 12, half fare, adding sufficient to make fare end in 0 or 5. Commutation tickets based:

- 10-ride individual, limit 30 days from date of sale, 2 cents per mile.
- 30-ride family, limit 90 days from date of sale, $1\frac{1}{2}$ cents per mile.
- 46-ride individual school, limit 60 days from date of sale.
- 60-ride individual, limit 40 days from date of sale.
 - 1 to 10 miles, inclusive, 1 cent per mile.
 - 15 miles and over 10, 9 mills per mile.
 - 20 miles and over 15, 8 mills per mile.
 - Over 20 miles, $7\frac{1}{2}$ mills per mile.

Fares to end in multiples of 0 or 5 by increasing those ending in $2\frac{1}{2}$ or more to the next 5, those ending in $7\frac{1}{2}$ or more to the next 0 and reducing those under $2\frac{1}{2}$ or $7\frac{1}{2}$ to the next lower 0 or 5, as the case may be.

In figuring fares to and from Los Angeles combination of locals on street car zone fare to be held as a maximum. An exception to the general rule is also contemplated in the one way and round trip fares between Los Angeles and Beach points where it is proposed to increase the present 35 cent and 50 cent fares to 40 and 60 cents, respectively.

The new tariff will also eliminate certain party and excursion fares and arrangement for sale of cash coupon tickets which were originally established in competition with the steam roads but as these roads have canceled such provisions under order of the Director General of Railroads applicant desires to take similar action.

STREET CAR FARES.

Within the city of Los Angeles 5-cent fares are now published for distances ranging from .81 of a mile to 8.76 miles from a central point with transfer privilege within these limits. It is proposed to establish 5-cent zones for varying distances to and including 5.58 miles and 7-cent zones beyond the 5-cent limits extending 7.55 miles to 8.7 miles from the central point with like privileges of transfer. This has the effect of increasing by 2 cents the fare for travel beyond the proposed 5-cent limits.

At other points applicant proposes to increase the fare from 5 to 6 cents, the zones or districts to remain unchanged except in a few instances where they have been slightly reduced in extent.

INTERURBAN FARES.

In order that a clear understanding may be had of the proposed changes, the following examples, which are typical of the different sections of applicant's line and of the various class of fares, are taken from exhibits filed at the hearing:

Miles	Between	One way	Round trip	One ride individual	Two ride family	Three ride school	Four ride individual	Five ride individual
20.6	Los Angeles and Redondo Beach—							
	Present	\$0.35	\$0.50	\$2.00	\$5.00	\$5.75	\$6.50	\$7.50
	Proposed	.40	.60	3.00	8.25	7.05		9.20
22.61	Los Angeles and San Pedro—							
	Present	.35	.50	2.00	5.00	5.75	6.50	6.50
	Proposed	.40	.60	3.00	8.25	7.05		9.20
7.85	San Pedro and Long Beach—							
	Present	.15	.25	1.00	3.00	3.80	4.50	5.20
	Proposed	.20	.30		3.55	3.60		4.70
17.35	Los Angeles and Whittier—							
	Present	.35	.50	2.00	5.25	6.05	6.50	
	Proposed	.40	.60	2.85	6.85	6.40		8.35
33.3	Los Angeles and Santa Ana—							
	Present	.65	1.00	4.00	10.00		11.00	
	Proposed	.90	1.20		14.00	11.50		15.00
31.97	Los Angeles and Pomona—							
	Present	.90	1.40		10.00		11.00	
	Proposed	.85	1.40	5.80	13.40	11.05		14.40
27.97	Los Angeles and San Fernando—							
	Present	.65	1.05	3.60	8.85	7.90	9.00	
	Proposed	.65	1.15	4.70	11.10	9.65		12.60
11.17	Los Angeles and Pasadena—							
	Present	.15	.25	1.00	3.00	3.45	5.00	
	Proposed	.20	.30		4.05	4.60		6.05
62.14	Los Angeles and Riverside—							
	Present	1.70	3.10		26.10		24.90	
	Proposed	1.75	2.95	11.85	27.00	21.45		27.95
10.63	Pomona and Ontario—							
	Present	.20	.35	1.50	4.00		6.00	
	Proposed	.30	.40		4.80	4.40		5.75
10.23	Riverside and San Bernardino—							
	Present	.30	.50		6.00		5.15	
	Proposed	.30	.50	2.05	4.60	4.25		5.50
4.79	Santa Ana and Garden Grove—							
	Present	.15	.25	.90	2.35	2.70	4.10	
	Proposed	.15	.25	.95	2.15	2.75		3.60

The basis for round trip fares is $2\frac{1}{2}$ cents per mile with a maximum increase of 20 per cent over the present rates. If this basis is employed, no discriminations now existing will be removed. A concrete instance exists in the case of fares between Los Angeles and Pomona and between Los Angeles and Santa Ana which follows:

Between Los Angeles and	Miles	One way		Round trip		
		Present	Proposed	Proposed		
				Present	Mileage basis	Maximum
Pomona	31.97	\$0.90	\$0.85	\$1.40	\$1.40	
Santa Ana	33.3	.65	.90	1.00	1.50	\$1.20

It will be seen that while Pomona has a slightly shorter mileage than Santa Ana, the fares today are entirely out of line. For instance, Pomona, 31.97 miles from Los Angeles, pays 90 cents one way and \$1.40 round trip while Santa Ana, 33.3 miles distant, has today a one-way fare of 65 cents and a round trip of \$1.00. The basis proposed by applicant properly adjusts the one way fares but would leave the round trip to Pomona \$1.40 and only increase the round trip to Santa Ana to \$1.20. In other words, instead of establishing the mileage basis of \$1.80 between Los Angeles and Santa Ana, applicant proposes a 20 per cent increase in the present fare or \$1.20 as a maximum. This feature is objectionable as it destroys the uniformity of the rate structure that would otherwise obtain and perpetuates a discrimination now existing where the fares have been established without due regard to relative distances.

It will be observed that the 52-ride ticket which expired with the end of the calendar month for which sold is to be abolished under the proposed tariff and a 60-ride ticket with limit 40 days from date of sale to be issued in lieu thereof.

It is proposed to make a departure from the general basis of rate construction in the case of one-way and round-trip fares between Los Angeles and beach resorts. The present fares of 35 cents and 50 cents for single and round trip, respectively, are blanketed from Port Los Angeles on the north to Anaheim Landing on the south, and it is the intention of applicant to reserve this blanket or some relationship in the proposed adjustment which contemplates a single trip rate of 40 cents and round trip 60 cents between Los Angeles and the beach resorts mentioned.

The only objection offered was on part of the city of Santa Monica which contended that on account of shorter mileage to Los Angeles than the other beach points it should have a relatively lower fare.

I am in accord with the argument advanced by Santa Monica as a general principle, but in this particular instance the peculiar character of the beach traffic should be taken into consideration.

Travel under one way and round trip tickets between Los Angeles and the beaches situated between Port Los Angeles and Anaheim Landing is purely excursion in nature. The fares applicable to this service are nothing more nor less than excursion fares and from their inception they have been kept on an equality. The resorts in that district have been established in response to this travel and are dependent upon it for existence.

In view of the vast dissimilarity of conditions this is not properly comparable with ordinary travel but should be considered entirely of itself.

It is my opinion that the blanket adjustment, in so far as it affects fares to the ocean beaches, is of great benefit to the public, enlarging as it does the field for recreation and affording greater opportunities in this respect than would be otherwise available. Therefore, in establishing the new rate adjustment these zone arrangements will be continued in effect.

In figuring round-trip fares the mileage basis, except to the beach resorts, should be consistently employed without regard to a maximum predicated on present adjustment.

Much testimony was introduced at the hearings and extensive arguments were made in the briefs of attorneys with reference to preferential commutation rates between Los Angeles and San Pedro, based on the fact that there are at San Pedro shipbuilding plants employing large numbers of men who reside in the city of Los Angeles and that on this ground and because of the volume of traffic, lower commutation rates should be maintained. If commutation fares were to be based on the volume of business, the fares would vary as to density of traffic, making schedules entirely one of degree.

Naturally, industrial organizations gravitate, all other things being equal, to the points where the rates, either passenger or freight, are the lowest and it can easily be seen that if this decision gave to San Pedro a lower rate than authorized to Wilmington, Long Beach or Redondo, the shipbuilding industry would undoubtedly center around that one point.

It is proposed to increase the 60-ride commutation fare between Los Angeles and San Pedro from \$7.25 to \$9.20. The present ticket expires with the calendar month for which purchased and is at the rate of .1208 cents per ride. The proposed fare carries a limit of 40 days from date of sale and is at the rate of .1533 cents per ride. When consideration is given to the fact that the proposed commutation ticket can be purchased at any time and has a limit of ten additional days, making it possible to ride out every coupon, while under the present arrangement the coupons not used average 10 or 12 per month, it will be seen that the actual cost of the new ticket is but slightly in excess of the fare now in effect.

A carrier as a public servant can not build up one community at the expense of another and this is what occurs whenever rates between industrial centers are not on a uniform and nondiscriminatory basis.

I am therefore of the opinion that the commutation rates to inter-urban points must be on the same footing and not graded on the simple theory that one community today furnishes more traffic than another.

Applicant proposes to make certain changes in its street car fares, not only in Los Angeles but in all the communities in which it now has a local 5 cent fare restricted to certain zones.

The boundaries of the city of Los Angeles are very extensive and therefore 5-cent fares governed by the corporate limits of the city can not be justified. It is proposed to shorten the Los Angeles zones to an average distance of $5\frac{1}{2}$ miles from Sixth and Main and from Hill street stations and on certain lines where the fare is now 5 cents to increase same to 7 cents to cover territory at present in the 5-cent zones which would be excluded by the shortening of the zones. The proposed adjustment, however, in establishing 7 cents for distances varying from 7.55 miles to 8.70 miles is only made on certain lines, this would continue in effect, although not to as great an extent, the discriminations now prevailing. In outside territory applicant proposes not only to increase all present 5-cent fares to 6 cents, but also to shorten some of the zones. In a great portion of the territory where applicant now has 5-cent fares it is in direct competition with the Los Angeles Railway Company and if the fare were increased, traffic, wherever possible, would move via the 5-cent route and in other instances would be lost entirely by reason of people walking short distances between the different rate zones. It is doubtful if increasing rates from 5 cents to 6 cents in some localities, from 5 cents to 7 cents in others and making no changes at all in still other parts of the city would be productive of any increase in applicant's revenue.

Since the 5-cent fares are not to be increased within the congested parts of the city of Los Angeles, I am of the opinion that increases in such fares should not be permitted in the outlying districts where the traffic may not be quite as heavy, nor in other communities where a street car fare is now in effect.

Attorneys for the city of Los Angeles and for the other communities strongly objected to any change in street car fares until the entire situation can be studied and corrected on a uniform and nondiscriminatory basis, and since the city of Los Angeles is now endeavoring to straighten out the transportation situation along its public streets, I am of the opinion that no good would be accomplished by the changing of these fares or the zones at this time.

Applicant proposes that all new fares end in either 0 or 5. Its principal witness testified that the figuring of fares to the actual odd cent would be cumbersome and impracticable and advanced certain reasons for such conclusions.

While the opposition to the use of pennies has some merit, I do not think it controlling, for the reason that business is now being done on the penny basis, not only in the commercial world but by the federal government in its railroad rates and in its method of taxation, etc. Applicant will therefore be required to figure fares to the exact cent and not use multiples of 0 or 5, as proposed, except in the instances of

fares to the beach zones which are arbitrarily established and not constructed on a mileage basis.

The opinion was expressed by several of the city attorneys, representing various communities interested in this proceeding, that a valuation of the company's property would be of great assistance to them and to the commission in reaching a sound conclusion in this hearing, and that such a valuation would be an important factor in the determination of proper rates.

The commission's chief engineer testified that both the company and the commission had been engaged in making a valuation of the company's property, operative and nonoperative, for a number of years past, and that the valuation was approximately 75 per cent finished.

He also testified that in his opinion the valuation, if it were available and complete, would be a minor factor in this case, since the company could not, under any reasonable circumstances, expect to earn a fair return on the value of its operative property, no matter by what standard this valuation might be measured. After considering the figures involved I am inclined to agree with this statement.

The investment in operative property, as it appears on the company's books and in the exhibits in the case, is in excess of \$82,000,000.00. While this figure is by no means controlling as an estimate of cost or value, the details making up the figures, nevertheless indicate the size of the property. The outstanding funded debt of the company is \$58,141,000.00. In addition to the bonded debt the company had, on the same date, other debts secured by notes amounting to \$10,241,502.50. The outstanding capital stock is \$34,000,000.00. I will disregard the stock entirely in a consideration of property values. The bonds and the notes are secured by all of the company's property, both operative and nonoperative. We have no accurate estimate of the cost or value of the nonoperative property, but there is testimony both from the president of the Pacific Electric, Mr. Paul Shoup, and from our chief engineer, that the reproduction cost and the reproduction cost less depreciation of the company's nonoperative property, will in no case exceed the sum of \$20,000,000.00. Assuming for this purpose that all of the unfunded debt (\$10,241,502.50) and, in addition, \$5,000,000.00 of the funded debt, should be charged against the nonoperative property, there is remaining a bonded indebtedness resting upon the operative property of \$42,899,497.50. There appears to be agreement between the company's and the commission's engineers that in any event the reproduction cost and the reproduction cost less depreciation of all operative property will not be less than \$50,000,000.00.

After the payment of operating expenses and taxes, but making no allowance for depreciation, as heretofore indicated, it is estimated that

there will remain, if the rates proposed by the company go into effect, a net income of \$1,908,081.43 for the payment of fixed and other charges. It will be seen that the net earnings remaining amount to but 6 per cent on \$31,660,000.00, while the property devoted to this service has a value in excess of \$50,000,000.00.

There is no doubt in my mind that the actual cost, or the reproduction cost, or the reproduction cost less depreciation are each greater than the figure just mentioned. The statement that the valuation would not be an important factor in the case seems, therefore, to be borne out by these figures.

I am, nevertheless, of the opinion that the company should complete the valuation asked for by the commission at the earliest possible date, so that it can be used in further rate considerations or in any other case in which this company comes before the commission.

It is apparent that unless relief is granted, this line can not continue in its present shape and that either more revenue must be obtained from increased rates or a radical reduction of service result.

The rails of this company serve a large and rapidly developing section of the state. It is of prime importance that the service now rendered be continued and improved rather than diminished. The rails reach prosperous and growing communities; also districts where the population is small and the traffic light, however, there is no system of accounting in effect segregating the revenues and expenses of the different lines but it is not admitted by applicant that any of its lines fail to produce operating income; on the contrary, the contention is made that one line feeds the other and all are necessary for the successful operation of the entire organization.

The city of Los Angeles is the center of this great railway system and it can easily be seen that if each branch were treated independent of the other and fares established on the volume of traffic, there would be instances of fares so extremely high as to be detrimental not only to Los Angeles, the central point, but to every outside community affected. Discrimination between localities should be avoided wherever possible, for when fares are built on different bases the low rated communities naturally benefit at the expense of the higher rated points. The conclusion is inevitable that the property of the Pacific Electric must be considered as a whole and not by separate divisions or lines.

The financial condition of this applicant has been unsatisfactory and difficult for many years prior to the outbreak of the war due principally to the growth of automobile transportation.

As the expense of operation grows without corresponding changes in gross revenue, a continual increase in fares can not be avoided unless assistance is rendered by reduction in taxes and street maintenance

charges assessed against transportation companies or by direct financial contributions; in other words, the costs must be paid either by the consumer direct through fares or by the people as a whole through taxation.

The federal administration has, by direct appeal, urged upon state commissions the necessity of maintaining during this war crisis the financial stability of railroads and other public utilities.

I am of the opinion that the situation which now confronts the Pacific Electric Railway has been augmented during the last three years by the increased prices due to the war necessities, both as to the cost of labor and materials and that an emergency exists here from which this applicant must have relief.

It has been shown that the amount anticipated from the freight increases already authorized and from the passenger fares proposed will be absorbed by advances in wages alone, to say nothing of the rapidly mounting costs of power, materials and other factors entering into operation of this property.

The rates sought to be established will render assistance, but they will not by any means cure the financial difficulties in their entirety, and this applicant must by some other methods arrange in part to meet its bond interest payments.

Petitioner's application is purely in the nature of a war emergency and the rates it seeks to establish should not, and can not, be considered along the lines governing the ordinary applications for increases in revenue. As heretofore stated, the engineers of this applicant and those employed by the Railroad Commission of California are working on a valuation of the property of the Pacific Electric Railway Company devoted to the railway transportation business, and just as soon as this valuation has been completed and the true value of the property ascertained, I am of the opinion that the entire rate structure, both passenger and freight, should be reviewed and such rates established as the conditions warrant.

I conclude from the evidence before me and find as a fact that the fares now in effect are insufficient and unreasonable for the service rendered and that applicant should be authorized to establish the following basis of fares, without prejudice to future action calling into question the whole or any part of the rates herein established, and which under existing conditions are found to be reasonable.

Interurban Fares.

One-way fares—

3 cents per mile.

Half fares for children 5 years or over, and under 12.

Round-trip fares—

2½ cents per mile.

Half fares for children 5 years or over, and under 12.

Commutation tickets—

- 10-ride individual, 2 cents per mile.
- 30-ride family, $1\frac{1}{2}$ cents per mile.
- 46-ride individual school, and 60-ride individual.
- 1 to 10 miles, inclusive, 1 cent per mile.
- 15 miles and over 10, 9 mills per mile.
- 20 miles and over 15, 8 mills per mile.
- Over 20 miles, $7\frac{1}{2}$ mills per mile.

In figuring one way, round trip, ten and thirty ride fares to and from Los Angeles, $5\frac{1}{2}$ miles should first be deducted from the through mileage and the mileage basis applied to the remainder, adding to this result the street car fare in Los Angeles.

Fares to be published between Los Angeles and the beaches and blankets or fare zones established in the beach territory in accordance with Exhibit No. 12 consisting of proposed fares filed at the hearing.

Where a point is served by two or more direct lines, fares to be established on basis of short line mileage.

Where fares calculated on these bases come out an even half cent or over, they are to be rounded up to an even cent; where the calculation makes them come under one-half cent, fractions are to be discarded and fare published at the next lower whole cent.

That portion of application covering street car fares in Los Angeles and outside communities will be dismissed.

The following form of order is submitted:

ORDER.

The Pacific Electric Railway Company having applied under section 63 of the Public Utilities Act for permission to increase certain passenger fares, as set forth in the opinion which precedes this order, a public hearing having been held and the Railroad Commission being fully apprised in the premises, the Railroad Commission hereby finds as a fact that the present fares of petitioner are insufficient, unjust and unreasonable and that the fares hereinafter set forth, which under existing conditions are found to be reasonable, should be authorized.

Basing this order on the foregoing finding of fact and on the further findings of fact contained in the opinion which precedes this order,

It is hereby ordered that the portion of application covering street car fares be and the same is hereby dismissed.

It is hereby further ordered that the Pacific Electric Railway Company be and the same is authorized to establish within twenty (20) days from the date of this order the following basis of fares:

Interurban Fares.

One-way fares—

- 3 cents per mile.
- Half fares for children 5 years or over, and under 12.

Round-trip fares—

2½ cents per mile.

Half fares for children 5 years or over, and under 12.

Commutation tickets—

10-ride individual, 2 cents per mile.

30-ride family, 1½ cents per mile.

46-ride individual school, and 60-ride individual.

1 to 10 miles, inclusive, 1 cent per mile.

15 miles and over 10, 9 mills per mile.

20 miles and over 15, 8 mills per mile.

Over 20 miles, 7½ mills per mile.

And to make further changes as set forth in Exhibit No. 12 filed at the hearing and not in conflict with this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this fourth day of September, 1918.

DECISION No. 5732.

IN THE MATTER OF THE APPLICATION OF BAY POINT LIGHT AND POWER COMPANY FOR AUTHORITY TO ISSUE FOUR HUNDRED FORTY SHARES OF ITS CAPITAL STOCK OF THE PAR VALUE OF ONE HUNDRED DOLLARS PER SHARE.

Application No. 4002.

Decided September 4, 1918.

STOCK ISSUE.—Applicant granted permission to issue 440 shares at not less than \$80.00 a share, and to use proceeds in capital expenditures.

Sanborn & Rochl, by Arthur Rochl, for Applicant.

BY THE COMMISSION.

OPINION.

Bay Point Light and Power Company asks authority to issue \$44,000.00 par value of its common capital stock, divided into 440 shares of the par value of \$100.00 per share. The company desires authority to sell its stock for not less than \$80.00 per share and use the proceeds to pay indebtedness, reimburse its treasury for income expended to finance capital expenditures and pay for the installation of additions and betterments to its plant and system.

A hearing on this application was held before Examiner Westover in San Francisco on August 21, 1918.

Bay Point Light and Power Company has an authorized capital stock issue of \$50,000.00. Stock in the amount of \$6,000.00 is reported as

outstanding. The company owns and operates an electrical distributing system in Bay Point and vicinity.

On December 31, 1917, Bay Point Light and Power Company reported assets and liabilities as follows:

Asset accounts—	
Fixed capital	\$8,955 17
Cash	27 50
Due from consumers and agents.....	500 00
Materials and supplies.....	302 50
Unamortized discount and stock.....	750 00
Total asset accounts.....	\$10,535 17
Liability accounts—	
Capital stock	\$6,000 00
Notes payable	2,276 47
Consumers deposits	27 50
Miscellaneous accounts payable.....	802 50
Corporate surplus unappropriated.....	1,428 70
Total liability accounts.....	\$10,535 17

Fixed capital on January 1, 1917, is reported at \$5,250.00. Since then and up to June 30, 1918, applicant has expended, according to Exhibit "B" attached to the petition herein, the sum of \$6,488.91 for the purposes of extending its electrical distributing system. This expenditure, the testimony shows, has been financed through the issue of notes amounting to \$2,183.56, through the investment of earnings in the sum of \$4,270.24, leaving a balance of \$35.11 unaccounted for. Applicant asks authority to use part of the proceeds from the sale of its stock which it now desires to issue, to pay its note indebtedness and reimburse its treasury because of earnings expended to extend its system.

In Exhibit "C" attached to the petition, applicant estimates its expenditures for additions and betterments as follows:

Substation	\$1,000 00
Primary lines	6,000 00
Secondary lines	6,000 00
Transformers	10,125 00
Meters	6,800 00
Services	2,100 00
Street lighting	1,500 00
Total	\$33,525 00

Mr. W. S. Van Winkle, president and general manager of Bay Point Light and Power Company, testified at the hearing that this expenditure is necessitated by the location of what may be termed "War Industries" in and about Bay Point; that the Pacific Coast Shipbuilding Company, Pacific Metal Company, Bay Point Box Factory, Bay Point Foundry,

Pacific Chemical Company and other concerns have located or intend to locate their plants at Bay Point; that the Pacific Coast Shipbuilding Company is now employing 1,500 men and ultimately intends to give employment to 15,000; that for the purpose of housing the employees of the shipbuilding company, the government is advancing funds to construct dwellings in the town of Clyde located about three miles from Bay Point; that the Bay Point Light and Power Company has been asked to extend its electrical distributing system to the town of Clyde for the purpose of selling electrical energy in Clyde; that about \$10,000.00 of the estimated expenditures reported in Exhibit "C" will be expended in connection with the extension of applicant's system to and in Clyde and approximately \$23,500.00 in connection with the development of applicant's system at Bay Point.

The evidence submitted in this proceeding shows that applicant's earnings have been increasing rapidly as a result of the industrial development at Bay Point. For the year ending December 31, 1917, applicant reports gross earnings amounting to \$7,540.40, while gross earnings for the six months ending June 30, 1918, are reported at \$7,727.58. Applicant owns no generating system. It purchases its electrical energy from the Great Western Power Company.

ORDER.

Bay Point Light and Power Company having applied to the Railroad Commission for authority to issue \$44,000.00 par value of stock, a hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of said stock is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income.

It is hereby ordered that Bay Point Light and Power Company be and it is hereby granted authority to issue at not less than \$80.00 per share, 440 shares of its common capital stock of the par value of \$100.00 each, upon the following conditions and not otherwise:

(1) The proceeds obtained from the sale of the stock shall be used for the following purposes:

(a) Of the proceeds, \$2,183.56 shall be used to pay the notes referred to in the petition herein.

(b) Of the proceeds, \$4,270.24 may be used by applicant to reimburse its treasury because of earnings expended to finance capital expenditures, prior to June 30, 1918.

(c) The remainder of the proceeds shall be used to finance in whole or in part the capital expenditures set forth in Exhibit "C" attached to the petition herein. Until all of said proceeds have been expended,

applicant shall file with the Railroad Commission on or before the twenty-fifth day of each month, a construction progress report, showing in detail, the nature and extent of the construction work done during the month immediately preceding the filing of such report, the cost of said work, the amount paid thereon and from what sources the moneys necessary to make said payments, have been obtained.

(2) Bay Point Light and Power Company shall keep true and accurate record of the uses of the stock herein authorized and shall on or before the twenty-fifth day of the month following the issue of said stock, make a verified report to the Railroad Commission as required by the commission in its General Order Number 24, which order, in so far as applicable, is made a part of this order.

(3) The authority herein granted to issue stock shall apply only to such stock as may be issued on or before December 27, 1918.

Dated at San Francisco, California, this fourth day of September, 1918.

DECISION No. 5734.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS.

Application No. 3557.

Decided September 4, 1918.

BY THE COMMISSION.

FOURTH SUPPLEMENTAL ORDER.

San Joaquin Light and Power Corporation having filed with the Railroad Commission statements showing that it has expended for construction purposes from July 1, 1918, to July 31, 1918, both dates inclusive, the sum of \$207,206.53, and having asked the Railroad Commission for authority to use the proceeds of \$207,206.53 face value of Series "C" 6 per cent bonds authorized to be issued by Decision No. 5215 and Decision No. 5377 to finance said construction expenditures, and it appearing to the Railroad Commission that of the expenditures referred to, \$202,761.07 represents capital expenditures which may be properly paid from the proceeds of bonds; now therefore,

It is hereby ordered that San Joaquin Light and Power Corporation be and it is hereby authorized to use the proceeds from the sale of \$202,761.07 of Series "C" 6 per cent bonds authorized to be issued pursuant to Decision No. 5215, dated March 18, 1918, and Decision No. 5377, dated May 2, 1918, for the purpose of financing its capital expenditures

From July 1, 1918, to July 31, 1918, both dates inclusive, other than those expenditures incurred against estimates numbers 2643, 193, 194, 195 and 605.

Dated at San Francisco, California, this fourth day of September, 1918.

DECISION No. 5735.

ROSEVILLE WATER USERS ASSOCIATION

vs.

ROSEVILLE WATER COMPANY.

Case No. 1127.

Decided September 5, 1918.

WATER RATES—UNMETERED SERVICE WASTEFUL.—Defendant company ordered to meter its system, the commission holding that unmetered use is exorbitant and wasteful; because of abnormal conditions metering not required until it can be done economically; new rate schedule fixed.

A. J. Hardin, for Complainants.

James D. Meredith, for Defendant.

BY THE COMMISSION.

OPINION.

Roseville Waters Users Association, comprised of some thirty consumers of the Roseville Water Company, complains of the service and practices of that company.

The complaint alleges that defendant is a public utility water corporation, supplying water for domestic and irrigation purposes to the inhabitants of Roseville and vicinity; that the water supply of defendant is impure and inadequate; that service is intermittent; that the pipe system is inadequate to afford sufficient pressure for fire protection and domestic service; and that the rates of defendant are exorbitant. Complainant asks that defendant be required to increase its water production and improve its service and that this commission establish a schedule of fair and reasonable rates.

Defendant, in its answer, denies all the material allegations of complaint and alleges that its plant and system is adequate to supply sufficient water to consumers; that it is now supplying 400 gallons per day for each of the inhabitants of Roseville, which use it claims is exorbitant and wasteful, and that it has recently installed wells and additional pipe lines at large expense to increase its water supply and distribution facilities.

Public hearings were held by Examiner Westover at Roseville and San Francisco.

Defendant owns and operates a water plant supplying Roseville, a city of approximately 4,000 population, with water. Its supply is obtained from the ditch system of the Pacific Gas and Electric Company from which it is delivered into defendant's reservoirs, which are located approximately three miles from the city of Roseville at an elevation of about 200 feet above the city. Water is transmitted from these reservoirs in sheet iron pipes to the city where it is distributed to the consumers.

This system was inaugurated in 1907 by the present owner, reservoirs were built and the long transmission main from the reservoirs was constructed to supply the then few residents of the city. As the city gradually grew, the system was enlarged and extended to meet the demand.

Defendant admitted at the hearings that the service rendered during 1916 and the early part of 1917 was poor, but stated that it had constructed wells, pumping plant and a pipe line which a test had disclosed would deliver approximately 250 gallons of water per minute under a pressure of 142 pounds. It is contended by defendant that this additional installation, in conjunction with its supply obtained from Pacific Gas and Electric Company, will supply a sufficient quantity of water to meet all demands of consumers. It further contends that the use of water by the consumers has been wasteful in the extreme due to the fact that it has heretofore charged for the delivery of water under a flat rate schedule.

We are of the opinion that the additional installation above referred to will largely rectify the conditions of service complained of, but that without an investment so large as to be uneconomic it will be impossible to meet all demands at the time of peak consumption unless the entire system is metered. It has been our experience throughout the entire state that consumption of water from unmetered systems is exorbitant and wasteful, making for poor and intermittent systems. We will, therefore, require that defendant meter its system as soon as practicable. We realize, however, that war conditions have rendered it impracticable to secure equipment without large expense and long delay. Therefore, while we will require defendant to ultimately meter its entire system, such delay will be granted as will permit it to make this improvement economically.

The present rate schedule in effect is that established by the authorities of the city of Roseville in Ordinance No. 76 and filed by defendant with the commission.

Appraisals were submitted by Albert Givan, for defendant, and by J. G. Walther and C. H. Loveland for the commission. The results of these appraisals, including the cost of new well and equipment, follows:

Summary of Appraisals.

	Railroad Commission engineer	Defendant's engineer
Estimated cost	\$116,494 00	\$132,625 00
Annuity	*1,904 00	‡2,963 00
Depreciated cost new.....		101,073 00

*Sinking fund annuity.

‡Straight line method of depreciation.

Mr. W. G. Hemphill, president of the Roseville Water Company, testified that the entire cost of the system, including deficits during its early years of operation, was between \$130,000.00 and \$140,000.00. It is unnecessary to discuss these appraisals in detail because the total annual charges computed on the smaller of these will require an annual income approximately equal to that now received by the utility.

The commission's engineers report that defendant's records show a maintenance and operation expense for 1917 of \$11,658.00, and that in their opinion the amount was reasonable. The gross income for 1917 was \$24,599.00, leaving a net operating revenue of \$12,941.00. There has been no deduction from the above reported gross income for 1917 of \$24,599.00 for uncollectible accounts.

The new pumping plant was not operated extensively in 1917 but undoubtedly will be operated almost continuously this year and in the future during the summer season, which is the period of maximum demand. There is no means available by which to estimate the quantity of water which it will be necessary to pump from this plant, because of fluctuations in demand, and therefore the operation and maintenance costs during coming years can not well be estimated without further data showing its actual operation. There will also be an additional operating expense because of the installation of meters, which must be met in the annual charges. War conditions have so increased the cost of labor and materials that the above reported maintenance and operation expense for 1917 will undoubtedly be very largely increased. In order that the utility may give adequate service, it is, of course, necessary that this increased cost be considered in the establishment of rates.

The total annual charges, if the commission's engineers appraisal is used as a basis, are as follows:

Return on \$116,494.00	\$9,319 00
Depreciation annuity	1,904 00
Maintenance and operation expense as of 1917.....	11,658 00
Total	\$22,881 00

We thus find this utility at present operating under a rate schedule which will return to it a gross revenue approximating the annual charges for the year 1917 without considering in detail the increased costs of operation.

The rates as established by the ordinance of the city of Roseville do not, in our opinion, equitably distribute the burden among the consumers in all instances, and we so modify the schedule as to eliminate some of the inequities.

The testimony submitted concerning purity of the water supply does not justify a serious reflection upon its quality. The question of purity of water supply is under the jurisdiction of the State Board of Health. Apparently the corrective measures being installed will satisfy the complaint in this particular as well as those relating to inadequate service.

ORDER.

Public hearings having been held upon the issues raised by the pleadings in the above-entitled case and the matter being submitted and now ready for decision,

The Railroad Commission hereby finds that the rates of the Roseville Water Company, in so far as they differ from the rates hereinafter set out are unjust and unreasonable, and that the rates established in the order following are just and reasonable.

Basing its order on the above findings of fact and upon those contained in the opinion preceding this order,

It is hereby ordered by the Railroad Commission of the state of California that defendant Roseville Water Company establish and file with this commission within twenty days from the date of this order schedule of rates as follows:

Minimum meter rates.....\$1 00 per month

All other meter rates remain the same as established by ordinance and on file with this commission.

Flat rates—

Residences, 2 rooms or less.....	\$1 00 per month
Residences, 3 or 4 rooms.....	1 50 per month
Small stores	1 00 per month
Barber shops (1 chair).....	1 50 per month
Each additional chair.....	50 per month
Fire service to the city of Roseville, per hydrant.....	1 50 per month
Minimum fire service payment.....	150 00 per month

All other flat rates to remain the same as established by ordinance of the city of Roseville and on file with this commission.

It is further ordered that Roseville Water Company shall proceed as rapidly as its financial condition will permit to meter its entire system.

It is further ordered that the Roseville Water Company shall file with its rate schedule rules and regulations for the approval of this commission.

It is further ordered that the complaint in so far as it relates to purity of water and service be and it is hereby dismissed.

Dated at San Francisco, California, this fifth day of September, 1918.

DECISION No. 5736.

IN THE MATTER OF THE REORGANIZATION OF NORTHERN ELECTRIC RAILWAY COMPANY, A CORPORATION; NORTHERN ELECTRIC COMPANY, A CORPORATION; NORTHERN ELECTRIC RAILWAY COMPANY-MARYSVILLE AND COLUSA BRANCH, A CORPORATION, AND SACRAMENTO AND WOODLAND RAILROAD COMPANY, A CORPORATION, AND OF THE APPLICATION FOR AUTHORITY TO TRANSFER THE PROPERTIES OF THE LAST-MENTIONED CORPORATIONS TO A NEW CORPORATION AND FOR PERMISSION TO ISSUE STOCKS AND BONDS OF THE SAID NEW CORPORATION.

Application No. 1933.

Decided September 7, 1918.

STREET PAVING--BONDS AUTHORIZED.--Because paving tracks of applicant in certain streets in Yuba City is necessary to connect the state highway system, applicant is authorized to sell \$25,000.00 of its bonds to pay for same.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

Sacramento Northern Railroad, purchaser of the properties formerly owned by Northern Electric Railway Company and affiliated companies, having filed with the Railroad Commission in the above-entitled matter a supplemental petition in which it asks authority to use approximately \$25,000.00 of the proceeds from the sale of Class "A" bonds to pay for paving between and alongside its tracks on certain streets in Yuba City, namely--on Second street from Bridge street to B street; on B street from Craddock to Plumas street, thence on Plumas street northwesterly to Bridge street; on Sutter street which includes frontage on the new depot erected by applicant in Yuba City and on Bridge street from Plumas street in a northeasterly direction to a point where the tracks of the Southern Pacific intersect Bridge street; and it appearing from reports submitted by officials of Yuba City that the city prior to the beginning of the war between the United States and Germany took initial steps to pave certain streets, that since then it has been decided to pave only the important streets, one of which forms a link connecting the state highway from Sacramento to Chico; that the work on these streets is nearing completion and that unless the railway paves its portion of the streets, the work done by that city will be seriously damaged by the

winter rains and the engineering department of the Railroad Commission having made an investigation of the situation and the Railroad Commission being of the opinion that the paving on Bridge, Plumas and Second streets should be done; that the paving on Sutter street fronting the depot grounds may be held in abeyance and that part of the cost of paving is chargeable to operating expenses and part to capital account; now, therefore,

It is hereby ordered that Sacramento Northern Railroad be and it is hereby granted authority to use moneys obtained from the sale of Class "A" bonds to pay such part of the cost of paving Bridge street, Plumas street and Second street and any assessment levied by Yuba City against its properties for the purpose of paying the cost of paving referred to in the supplemental petition herein as may be chargeable to capital account under the classification of accounts for electric railways prescribed by the Interstate Commerce Commission and the Railroad Commission of the state of California; provided, that upon the completion of the paving of any street herein referred to, Sacramento Northern Railroad file with the Railroad Commission a statement showing in detail the cost of such paving, the amount chargeable to capital account and to operating expenses and the amount paid out of moneys obtained from the sale of Class "A" bonds.

Dated at San Francisco, California, this seventh day of September, 1918.

DECISION No. 5737.

IN THE MATTER OF THE APPLICATION OF GLOBE WAREHOUSE
COMPANY FOR AUTHORITY TO INCREASE WAREHOUSE RATES
AT VARIOUS POINTS IN IMPERIAL AND RIVERSIDE COUNTIES.

Application No. 3995.

Decided September 7, 1918.

E. W. Boerstler, for Applicant.

GORDON, *Commissioner*.

OPINION.

Under this application filed on August 2, 1918, Globe Warehouse Company seeks authority to increase storage rates at its warehouses located at the following points:

Brawley, Calexico, Calipatria, El Centro, Holtville, Imperial, Rockwood, Secley—Imperial County; and Murietta, Perris, Winchester—Riverside County.

The amount of the proposed increases is indicated by the following table of comparisons:

	Present rates	Proposed rates	Increases
At points in Imperial County—			
*Storage for 5 days, per ton.....	\$0.50	\$0.75	\$0.25
Storage for 30 days (in dump), per ton.....	.75	1.00	.25
Storage for 30 days (piled), per ton.....	1.00	1.25	.25
Storage for season, per ton.....	1.25	†2.00 or 25¢ per month	.75
At points in Riverside County—			
*Storage for 5 days, per ton.....	.50	.75	.25
Storage for 1 month (in dump), per ton.....	.50	1.00	.50
Storage for 1 month (piled), per ton.....	.50	1.25	.75
Storage for 2 months, per ton.....	.75	†2.00 or 25¢ per month	1.25
Storage for season, per ton.....	1.00	†2.00 or 25¢ per month	1.00

*Includes weighing in and loading out.

†Season rate will apply only when accepted in advance.

The request for increased rates is based upon alleged increased cost in the operation of applicant's warehouses with particular reference to the higher wages which it is necessary to pay for labor.

Owing to the fact of widely separated groups of warehouses, two hearings were set for the convenience of interested parties, one at El Centro in Imperial Valley and one at Perris in Perris Valley.

At El Centro no one appeared on behalf of applicant, nor were other interested parties represented. The matter was therefore adjourned, in so far as it relates to warehouses in Imperial Valley. Later it developed that a confusion of dates on the part of applicant was responsible for failure to appear at the hearing. Subsequently the commission received a communication from applicant's agent at El Centro expressing regret for nonappearance and enclosing evidence of due publication of notice of hearing and affirming that similar notice had been mailed to each of applicant's patrons. Attention was also called to the hearing held by the commission at El Centro on the same day in Application No. 4013 by California Wharf and Warehouse Company, it being pointed out that as to location, character of service, rates in effect and proposed rates, conditions in the two cases are practically identical. Applicant further indicated that such rates as may be established by the commission in Application No. 4013 will be acceptable to Globe Warehouse, in so far as its Imperial Valley warehouses are concerned.

Since the usual publicity was given in this case, including publication in a local paper and individual notice to each of applicant's patrons, and no one appeared in protest, I can see no injustice in allowing the

order in this proceeding to include all warehouses covered by the application, based, in so far as warehouses in Imperial Valley are concerned, upon facts presented informally to the commission prior to and following the date set for the hearing, and also upon the showing made under another application (No. 4013), involving identical features,—and shall so recommend.

The volume of business done by Globe Warehouse Company in Imperial Valley, including receipts, expenditures and net gain is shown by the following table submitted prior to the date set for hearing:

	1914	1915	1916	1917
Total tonnage handled (tons).....	619	4,137	3,473	3,358
Total receipts	\$773 85	\$5,170 70	\$4,342 05	\$4,150 86
Total expenses	542 25	4,670 49	3,965 41	3,815 00
Total gain	231 60	500 21	376 61	335 86

Applicant owns no property in Perris Valley, but operates there three warehouses belonging to Globe Grain and Milling Company, each, according to data submitted, having an estimated value and doing an average annual public storage business for the years 1914, 1915, 1916 and 1917, as indicated in the following table:

Warehouse at	Estimated value	Tonnage stored (Tons)	Receipts	Expenses	Profit
Perris	\$20,813 09	1,275	\$980 98	\$882 90	\$98 08
Murietta	2,075 00	629	419 89	377 91	41 98
Winchester	1,700 00	552	407 88	367 10	40 78

However, since these warehouses are under direct control of Globe Grain and Milling Company, space being assigned to applicant for the latter's use as the needs of public storage demand, it is obvious that just and reasonable rates should be fixed with reference to actual operating results only, and entirely aside from the value of the properties except as to rentals paid by applicant.

The testimony presented at the hearing was somewhat meager and indefinite as to the actual operation of the warehouses and also as to the methods of prorating overhead expenses; but it was positively stated that labor, the chief item of expense, had increased within the past year from \$2.00 and \$2.50 per day to \$3.00 and \$3.75, and that the expense of repairs and general upkeep which devolves upon the operating company, has likewise shown a sharp advance. There was no evidence to show the approximate additional revenue which applicant might reasonably expect to receive if the application is granted, but the evidence did show that only a small fraction of stored grain ordinarily remained in

applicant's possession long enough to take the season rate, which practice, if continued, would have the effect of limiting the proposed increase to 25 cents per ton. On the average tonnage handled during the last four years (2,456 tons), this estimate would yield an additional \$614.00. Assuming that three-fourths of the average annual operating expense at the warehouses in Perris Valley, (\$1,627.91) would be assignable to labor, and applying the minimum increase (50%) in the wages of men available for warehouse service and the result is \$610.47,—almost exactly offsetting the estimated additional revenue. Furthermore, it appears that such increase in rates as may be authorized will not be available for the present season for the reason that grain is now practically all stored and covered by warehouse receipts in the hands of the owners.

I am of the opinion that with certain modifications, including limitation of the proposed maximum storage charge per season, which appear in the accompanying order, the application should be granted, and recommend the following form of order:

ORDER.

Globe Warehouse Company having applied to this commission for authority to increase storage rates at its various warehouses located in Imperial and Riverside counties, a public hearing having been held thereon, the matter having been submitted and the commission being fully advised in the premises,

It is hereby found as a fact that applicant's warehouse rates at present in effect in so far as they differ from the rates set forth herein are noncompensatory, unjust and unreasonable, and that rates prescribed herein are just and reasonable rates.

Basing its order upon the foregoing finding of fact and upon other facts contained in the opinion preceding this order,

It is hereby ordered that Globe Warehouse Company be and the same hereby is authorized to publish and file within twenty (20) days from date hereof and make effective immediately thereafter the following schedule of rates applicable at its warehouses located at Brawley, Calexico, Calipatria, El Centro, Holtville, Imperial, Rockwood and Seely, in Imperial County, and at Perris, Murietta and Winchester in Riverside County:

Schedule of Warehouse Rates.

*Storage of grain and beans in bags—

Not over 5 days (on dump)	\$0 75 per ton
Not over 30 days (on dump)	1 00 per ton
Not over 30 days (when piled)	1 25 per ton
After 30 days and including season	1 50 per ton
Reweighing	15 per ton
Marking for shipment	15 per ton

*Includes weighing when received and loading into cars when delivered.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this seventh day of September, 1918.

DECISION No. 5738.

IN THE MATTER OF THE APPLICATION OF CALIFORNIA WHARF AND WAREHOUSE COMPANY FOR AUTHORITY TO INCREASE WAREHOUSE RATES AT CALIPATRIA WAREHOUSE.

Application No. 4013.

Decided September 7, 1918.

S. H. Bissell, for Applicant.

GORDON, *Commissioner*.

OPINION.

Under this application, filed August 14, 1918, California Wharf and Warehouse Company seeks authority to increase rates for storage and warehouse service at its warehouse located at Calipatria, Imperial County, California, as follows:

	Present	Proposed	Increase
Grain storage—in dump—			
5 days or less, per ton.....	\$0.50	\$0.75	\$0.25
1 month, per ton.....	.75	1.00	.25
2 months, per ton.....	1.25	1.25	
3 months, per ton.....	1.25	1.50	.25
Season, per ton.....	1.25	1.75	.50
Grain storage—piled—			
1 month or less, per ton.....	1.00	1.25	.25
2 months, per ton.....	1.25	1.50	.25
3 months, per ton.....	1.25	1.75	.50
Season, per ton.....	1.25	2.00	.75
Weighing out, per ton.....	.10	.15	.05
Weighing on wagon scale, per ton.....	.25	.35	.10
Marking for shipment, per ton.....	.10	.15	.05

In addition to its property here involved, applicant operates warehouses located at Port Costa and Brentwood, in Contra Costa County, Stockton, in San Joaquin County, and at sundry points in Merced County. With the exception of Calipatria, increased rates have heretofore been authorized by the commission to apply at all warehouses operated by applicant. Such authorized rates, however, are not uniform and in some cases were granted early in 1916, prior to the abnormal

operating costs now generally obtaining at public warehouses. The present application is based upon alleged increases in the cost of warehouse labor and supplies with special reference to such increases as have been recorded since applicant's existing rate schedule for Calipatria was filed on May 1, 1917.

At the hearing in El Centro on August 22, 1918, it was shown that applicant's regular force of employees consists of three men doing warehouse and office work under monthly salaries which, as to two of said employees, have recently been increased from \$85.00 per month to \$100.00, and, in the third instance, from \$100.00 per month to \$125.00. During the rush season, four or more additional men are employed, wages in such cases having advanced from 30 cents per hour in 1917, to 50 cents per hour on May 1, 1918, exclusive of overtime rated at time-and-a-half and amounting to about 500 hours per annum. Other items of expense, such as brooms, rope, twine, water and ice have likewise increased from 50 per cent to 100 per cent.

Although the capacity of applicant's warehouse at Calipatria is approximately 700 tons, or about 1,400 bags of grain, the testimony shows that during the past season some 4,800 tons moved through the warehouse, 4,000 tons of which took the shorter period storage rates of 50 cents and 75 cents per ton. On the basis of tonnage handled last year, applicant estimates that about \$1,600.00 additional revenue would be returned under the proposed rate, but also maintains that in the operation of the warehouse it would be necessary to lay out approximately \$1,500.00 in excess of previous annual expenditures to meet the increased cost of labor, leaving an additional net income of \$100.00 per annum to apply on increases in other items of expense.

Applicant's Exhibit "A," submitted at the hearing, shows a net operating loss of \$2,105.72 for 13 months ending May 31, 1918, exclusive of allowances for depreciation or interest on investment. This statement, however, contains a number of items of expenditures which have been prorated between applicant's public utility service and its private business in a manner more or less arbitrary, bringing about a result which is not convincing. While an operating statement, showing as said exhibit does an annual deficit considerably in excess of the total yearly business transacted, may be open to question as to proper allocation of expenses, it may nevertheless reflect an investment based upon faith in future business; in either case, it is apparent that whatever reasonable rate increases may be authorized by the commission, such increases will be almost wholly offset by higher operating expenses. Furthermore, such advanced rates will not be available for the current year for the reason that grain produced in Imperial Valley has, in a large measure, already found its way into public warehouses and it is

now awaiting delivery in accordance with negotiable receipts in the hands of the owners.

The record in this case shows that individual notices were sent under registered mail to each of applicant's patrons at Calipatria, setting forth the time, place and purpose of the hearing, but no one appeared to protest.

For the foregoing reasons, I am of the opinion that with certain modifications, as they appear in the accompanying order, the request for increased rates should be granted, and recommend the following form of order:

ORDER.

California Wharf and Warehouse Company having applied to the Railroad Commission for authority to increase warehouse rates at Calipatria, a public hearing having been held thereon, the matter having been submitted and the commission being fully advised in the premises,

It is hereby found as a fact that the rates now in effect by applicant, in so far as they differ from the rates set forth herein, are noncompensatory, unjust and unreasonable and that the rates herein established are just and reasonable rates for the service indicated.

It is therefore ordered that California Wharf and Warehouse Company be and the same is hereby authorized to publish and file within twenty (20) days from the date of this order and make effective immediately thereafter, the following schedule of rates at its warehouse located at Calipatria, Imperial County, California, to wit:

Schedule of Warehouse Rates.

*Storage of grain in bags—	
Not over 5 days (on dump)	\$0 75 per ton
Not over 30 days (on dump)	1 00 per ton
Not over 30 days (when piled)	1 25 per ton
After 30 days, including season	1 50 per ton
Reweighing	15 per ton
Marking for shipment	15 per ton

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this seventh day of September, 1918.

*Includes weighing when received and loading into cars when delivered.

DECISION No. 5739.

IN THE MATTER OF THE APPLICATION OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, SANTA FE LAND IMPROVEMENT COMPANY, SOUTHERN PACIFIC RAILROAD COMPANY AND SOUTHERN PACIFIC COMPANY FOR AN ORDER AUTHORIZING THE SALE BY THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY AND SANTA FE LAND IMPROVEMENT COMPANY TO SOUTHERN PACIFIC RAILROAD COMPANY AND THE PURCHASE BY SOUTHERN PACIFIC RAILROAD COMPANY FROM THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY AND SANTA FE LAND IMPROVEMENT COMPANY OF AN UNDIVIDED ONE HALF INTEREST IN THAT CERTAIN PROPERTY IN THE CITY OF VERNON, COUNTY OF LOS ANGELES, CALIFORNIA.

Application No. 4026.

Decided September 7, 1918.

M. W. Reed, for Applicants.

LOVELAND, Commissioner.

OPINION.

This is a joint application by The Atchison, Topeka and Santa Fe Railway Company, Santa Fe Land Improvement Company, Southern Pacific Railroad Company and Southern Pacific Company for the sale by the two first-mentioned corporations to the Southern Pacific Railroad Company of an undivided one-half interest in and to a certain parcel of land and certain railroad tracks located in the city of Vernon, Los Angeles County. The transfer is to be made pursuant to the terms of an agreement dated November 9, 1917, attached to the application and marked Exhibit "A."

The land in which under the agreement an undivided one-half interest is to be transferred consists of a strip 31 feet in width north and south and 2,475 feet in length east and west, extending from Santa Fe avenue to the right of way of the Southern Pacific Railroad Company. The railroad tracks in which an undivided one-half interest is to be transferred are located on the land. Both the land and the tracks are more specifically described in the order herein. The Southern Pacific Railroad Company has agreed to pay \$7,480.71 for the properties. After their acquisition the properties will be operated by the Southern Pacific Company.

The testimony shows that the tracks in question serve a plant of the American Can Company. It is for the purpose of gaining access to this plant that the Southern Pacific Railroad Company has agreed to purchase the one-half interest in the properties. I am satisfied that the transfer of the properties is to the advantage of the public and that the application should be granted.

I herewith submit the following form of order:

ORDER.

An application having been filed with the Railroad Commission in which The Atchison, Topeka and Santa Fe Railroad Company and the Santa Fe Land Improvement Company ask authority to transfer an undivided one-half interest in a certain parcel of land and railway tracks hereinafter described to the Southern Pacific Railroad Company, the properties after such transfer to be operated by the Southern Pacific Company, a public hearing having been held and the commission being of the opinion that this application should be granted.

It is hereby ordered that The Atchison, Topeka and Santa Fe Railway Company and the Santa Fe Land Improvement Company be and the same are hereby authorized to sell and convey to the Southern Pacific Railroad Company in accordance with the terms and conditions of an agreement dated November 9, 1917, attached to the petition herein and marked Exhibit "A," an undivided one-half interest in and to that certain parcel of land situated in the northwest quarter of section 15, township 2 south, range 13 west, S.B.M., in the city of Vernon, county of Los Angeles, state of California, described as follows:

"A parcel of land 31 feet in width north and south by about 2.475 feet in length east and west; bounded on the east by the west line of Santa Fe avenue; on the south by the north line of lots 2 and 3 of Tract 2633, as per Map Book 27, page 45, Los Angeles County Records, as said north line of lots is defined by stakes in the ground; on the west by the eastern line of the right of way of the Southern Pacific Railroad Company and on the north by a line parallel with and 31 feet north of said north line of Tract 2633; excepting therefrom the south 11.9 feet of the west 30 feet; containing an area of 1.75 acres, more or less."

Also an undivided one-half interest in those certain railroad tracks shown in red upon Exhibit "A" attached to the agreement of sale and more particularly described as follows:

"A main lead track of an approximate length of 2,456 feet; a turnout track of an approximate length of 131.3 feet; and a second turnout track of an approximate length of 17.3 feet."

Provided, that within ninety (90) days after the date hereof the Southern Pacific Railroad Company file with the Railroad Commission a verified copy of the instrument of conveyance; and provided, further, that the purchase price of the properties herein authorized to be transferred will never be urged by applicants herein as a measure of value of said properties for rate-fixing or any purpose other than the transfer of the properties authorized in this proceeding.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state California.

Dated at San Francisco, California, this seventh day of September, 1918.

DECISION No. 5740.

IN THE MATTER OF THE APPLICATION OF LA HABRA VALLEY LAND AND WATER COMPANY TO SELL AND NEWPORT HEIGHTS IRRIGATION DISTRICT AND NEWPORT MESA IRRIGATION DISTRICT TO BUY, A CERTAIN WATER PLANT OF SAID LA HABRA VALLEY LAND AND WATER COMPANY.

Application No. 4042.

Decided September 13, 1918.

BY THE COMMISSION.

ORDER.

The La Habra Valley Land and Water Company, a corporation and the Newport Heights Irrigation District, a corporation, having applied to this commission for authority to sell, and the Newport Mesa Irrigation District to buy, the water plant of La Habra Valley Land and Water Company for an agreed price of ten and no/100 (\$10.00) dollars, and it appearing that this is a matter which does not require hearing and that the public interest will be favored by granting such application,

It is hereby ordered that the La Habra Valley Land and Water Company and the Newport Heights Irrigation District be and they are hereby given authority to sell to the Newport Mesa Irrigation District the water system described in Exhibit "B" annexed to and made a part of the application, as follows:

*1st. The South-east one-half ($SE\frac{1}{2}$) of the South-west one-half ($SW\frac{1}{2}$) of the South-east one-half ($SE\frac{1}{2}$) of Lot One Hundred forty-two (142) in Block Six (6) of Irvine's Subdivision of the Ranchos San Joaquin, Lomas de Santiago and Flint and Bixby Allotment in the Rancho Santiago de Santa Ana, as shown on a Map recorded in Book 1, page 88 of Miscellaneous Maps, records of Orange County, California. Saving and excepting a strip 30 feet wide off the entire South-westerly side and a strip 30 feet wide off the entire South-easterly side of said 20 acres, and the right of way for all necessary pipe lines over and across said 20 acres, as reserved in the deed from The Irvine Company, a Corporation, to the La Habra Valley Land and Water Company, a Corporation, recorded in Book 160, page 160 of Deeds, records of Orange County, California.

"Together with the water rights and rights of way conveyed by The Irvine Company to the La Habra Valley Land and Water Company, a Corporation, by deed recorded in Book 160, page 160 of Deeds, records of Orange County, California.

"2ND. The right of way for pipe line and all pipe, etc., as now established from the pumping plant erected by the La Habra Valley Land and Water Company, a Corporation, on the land above described over and across the lands owned by the said Irvine Company, to the lands included in the boundaries of the Newport Heights Irrigation District as described in a petition for the organization of the Newport Heights Irrigation District, filed with the Board of Supervisors of Orange County, California, on the 7th day of May, 1918.

"3RD. Lot Forty-three (43), excepting therefrom the North-westerly 3 acres, and Lot Forty-four (44), excepting therefrom the South easterly 462 feet, of Newport Heights, as shown on a Map recorded in Book 4, page 83 of Miscellaneous Maps, records of Orange County, California. Reserving therefrom a right of way for all necessary pipe lines.

"4TH. A right of way over the North-westerly 12 feet of the South-easterly 462 feet of Lot Forty-four (44) of Newport Heights, as shown on a Map recorded in Book 4, page 83 of Miscellaneous Maps, records of Orange County, California, to get to and repair the reservoir adjoining said South-easterly 462 feet of said Lot Forty-four (44), as reserved in the deed from the La Habra Valley and Water Company, a Corporation, to Peter Beatty, dated February 10th, 1912, recorded March 4th, 1912.

"5TH. All of the pipe lines, stand pipes, gates, valves, and other equipment owned by the party of the first part, located on the territory of the Newport Heights Irrigation District as described in a petition for the organization of the Newport Heights Irrigation District filed with the Board of Supervisors of Orange County, California, on the 7th day of May, 1918; together with the right of way over the land upon which the above pipe lines are constructed; also a right of way for the construction and maintenance of pipe lines for irrigation purposes over any of the streets in the above mentioned Irrigation District on which pipe lines have not heretofore been constructed; also rights of way heretofore reserved by the La Habra Valley Land and Water Company, a Corporation, in the conveyance of any lots or parcel of land in the above mentioned Irrigation District."

Dated at San Francisco, California, this thirteenth day of September, 1918.

DECISION No. 5741.

IN THE MATTER OF THE APPLICATION OF OCEAN SHORE RAILROAD
COMPANY FOR PERMISSION TO INCREASE RATES FOR THE
TRANSPORTATION OF MANURE.

Application No. 4014.

Decided September 13, 1918.

J. W. Crosby and J. A. Walden, for Applicant.

LOVELAND, *Commissioner.*

OPINION.

This is an application of the Ocean Shore Railroad Company for permission to increase carload rates for the transportation of manure from San Francisco to various stations on its line. Present and proposed rates are set forth in the following tabulation and are stated per ton of 2,000 pounds.

From San Francisco to—	Present	Proposed
Daly City	\$0.44	\$0.70
Paoli	.44	.70
Crosby	.44	.70
Thornton	.44	.70
Mussel Rock	.56½	.75
Salada	.56½	.75
Vallepar	.56½	.75
Rockaway	.56½	.75
Fleming	.56½	.80
Pedro Valley	.56½	.80
McNee	.59	.85
Farallone	.59	.85
Moss Beach	.59	.85
Marine	.59	.85
Martini Spur	.59	.85
North Granada	.59	.85
South Granada	.59	.85
Pilarcitos	.69	.90
Half Moon	.69	.90
Arleta	.69	.90
Cowell Spur	.69	.90
Seal Rox	.69	.90
Lobitos	.69	.90
Tunitas	.69	.90

Petitioner, in support of its request, alleges that present rates are unduly low, being originally established to nourish the truck garden industry and develop a return haul of vegetables; that while it has had the desired effect in the first instance, applicant's expectations respecting the outbound movement of vegetables have not been realized, owing to the active competition of auto trucks.

Testimony was to the effect that since the beginning of this traffic in 1911 the manure tonnage has steadily advanced, but while the vegetable movement showed an increase up to 1913 results for the subsequent period have been unsatisfactory and that the vegetable movement outbound has failed to keep pace with the enlarged tonnage of manure inbound, although a steady increase is shown in vegetable production.

Witness for applicant offered in evidence a statement of rates for this commodity applying over the Southern Pacific Company's lines, showing that the rates proposed are in most instances lower than those prevailing on that road. It is unnecessary to discuss this comparison other than to state that the Ocean Shore Railroad Company is entitled to a much more favorable rate basis, owing to its small volume of traffic and other elements entering into the consideration of rates.

Applicant stated that cars for the transportation of this commodity are in use from four to six days at an expense to carrier, figured on the present per diem charge, of 65 cents per day or from \$2.60 to \$3.90 per car. Figures were also submitted showing that the average car revenue derived from manure shipments amounts to \$17.00, which is lower than for other low-grade commodities, the revenue per car for rock averaging \$22.00, demonstrating that the former is not bearing its proper burden of the cost of transportation.

The auditor of this company presented figures and the annual reports on file with the commission show that it has been operating at a loss, the net corporate deficit as of December 31, 1917, being \$256,227.72 or an average of approximately \$40,000.00 per year since the present company was organized, following the receivership of its predecessor.

Applicant has not only failed to show a return on investment, notwithstanding there is no bond issue on which interest payments are required, but is unable to earn operating revenue sufficient in amount to defray the expenses of operation.

Although the usual publicity was given and notice of hearing mailed by the commission to the various parties interested, no one appeared in opposition.

After careful consideration of the evidence submitted and giving due thought to applicant's financial condition together with showing made of inequality in the existing rate structure, I am of the opinion that applicant has justified its request and same should be granted.

The following form of order will be entered:

ORDER.

The Ocean Shore Railroad Company having applied under section 63 of the Public Utilities Act for permission to increase certain freight rates, as set forth in the opinion which precedes this order, a public hearing having been held and the Railroad Commission being fully

apprised in the premises, the Railroad Commission hereby finds as a fact that the existing rates of petitioner are insufficient and unreasonable and that the following are just and reasonable rates.

Basing this order on the foregoing finding of fact and on the further findings of fact contained in the opinion which precedes this order,

It is hereby ordered that the Ocean Shore Railroad Company be and the same is hereby authorized to publish and file in tariff within twenty days from the date of this order the following rates:

Manure, Carloads, Minimum Weight 50,000 Pounds.

From San Francisco to—	Rate per ton of 2,000 lbs.
Daly City	\$0.70
Paoli	.70
Crosby	.70
Thornton	.70
Mussel Rock	.75
Salada	.75
Vallemar	.75
Rockaway	.75
Fleming	.80
Pedro Valley	.80
McNee	.85
Farallone	.85
Moss Beach	.85
Marine	.85
Martini Spur	.85
North Granada	.85
South Granada	.85
Pilarcitos	.90
Half Moon	.90
Arleta	.90
Cowell Spur	.90
Seal Rox	.90
Lobitos	.90
Tunitas	.90

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this thirteenth day of September, 1918.

DECISION No. 5750.

IN THE MATTER OF THE APPLICATION OF HUMBOLDT TRANSIT COMPANY FOR AN ORDER READJUSTING ITS PASSENGER FARES IN THE CITY OF EUREKA.

Application No. 3876.

Decided September 11, 1918.

STREET RAILWAY FARES.—Applicant granted permission to charge 6 cents fare to meet temporary emergency due to war prices.

Connick & Kchoe and J. F. Coonan, for Applicant.

J. J. Cairns, for city of Eureka.

LOVELAND, *Commissioner*.

OPINION.

The Humboldt Transit Company by this application seeks authority to increase street car fares in the city of Eureka. No specific rates are set forth in the application, but the prayer is made that the commission issue its order determining just and reasonable rates.

At the hearing, August 13, 1918, petition was amended and request made for a single trip cash fare of seven cents, coupon tickets at the rate of four for twenty-five cents, children's fares at five cents and school children's tickets at two and one-half cents. In justification of the proposed changes petitioner alleges that the fares now in effect are too low for the service performed and that its revenues are insufficient to meet operating expenses, taxes, depreciation and a return upon investment.

The company was incorporated July 28, 1903, and on October 1, 1904, authorized an issue of first mortgage thirty-year 5 per cent bonds having a par value of \$500,000.00. Of this amount \$211,000.00 was issued. The company has since reacquired and canceled \$35,000.00 of the bonds through appropriation of income, leaving a bonded indebtedness of \$176,000.00 as of December 31, 1917. On the same date it had a floating debt of \$20,000.00, upon which it pays interest at the rate of 7 per cent, and owes its principal stockholder \$24,280.00, upon which no interest is being charged. The annual report of December 31, 1917, shows an investment in road and equipment of \$607,044.53.

In May, 1918, applicant voluntarily readjusted its investment and equipment accounts, reducing the total to \$231,950.00, as per the following statement:

	Before adjustment	After adjustment
Track and overhead.....	\$221,000 00	\$110,000 00
Electric equipment	30,000 00	30,000 00
Power house	4,000 00	4,000 00
Car house	3,344 53	4,000 00
Rolling stock	45,000 00	45,000 00
Work equipment	3,000 00	3,000 00
Furniture and fixtures.....	700 00	950 00
Franchise and rights.....	300,000 00	35,000 00
Totals	\$607,044 53	\$231,950 00

This valuation was made by the general manager upon instructions from the president of the company and is intended to represent a conservative and just amount. Valuation of the operating property of a common carrier such as this is essential in arriving at just and reasonable rates under normal conditions, but since this proceeding deals with an emergency situation the value of the investment or the property

is not controlling, therefore I deem it unnecessary to discuss the subject further. The adjustment in rates now being considered is purely to meet a temporary emergency due to war prices and not to provide dividends for stockholders.

Prior to June 30, 1915, this company had a valuable contract for the purchase of fuel oil, which oil it sold to the public at a considerable profit, taking the earnings into its general accounts under the heading of nonoperating income; this made a favorable showing in gross income during the years 1912-13-14 and 15. However, during this same period of time the operating income from railway activities was not sufficient to meet operating expenses, taxes and interest on funded and unfunded debts, and were it not for the oil contract operations would have resulted in a continual loss during the past seven years.

Applicant showed by testimony of witnesses and by exhibits that the expense of operation has largely increased during the past two years. It will be unnecessary to enter into a discussion of these increases, for they are common to all public utilities and have been referred to in more or less detail in decisions issued in connection with other transportation companies operating under similar circumstances and conditions. However, it might be well to set forth the following increases in wages of employees, comparing 1917 with 1918:

	Per cent
Shop men	34
Construction laborers	61
Power plant	51½
Conductors and motormen	32
General office employees	27½

The company pays no salary to its president and vice president and only a nominal salary to its secretary-treasurer.

Prior to February 28, 1915, applicant secured its fuel oil under contract for 50 cents per barrel. March 1, 1915, to February 28, 1918, it had a contract under which the oil was purchased at 83 cents per barrel. Since the expiration of its last contract, on February 28, 1918, it had been forced to purchase oil in the open market, from month to month, at an average price of \$1.77 per barrel. This radical increase in the fuel oil, used to generate electricity, represents an average additional expense of approximately \$600.00 per month. However, there may be some reduction in the cost of power when certain transformer machinery is received, making it possible to purchase electricity from a power company, but this can not be accomplished until the early part of next year, therefore will not enter into the adjustment now under consideration.

Under the terms of applicant's franchise, the city of Eureka receives 3½ per cent of the gross income, approximating some \$3,000.00

per annum, and the franchise carries a clause to the effect that the fare shall not be in excess of five cents. The city attorney directed attention to the fare provisions of the franchise, but since this commission has in a number of cases held that contract rates need not be maintained if such rates are unreasonable. (Dec. 2816, *Town of Sausalito vs. Marin Water & Power Company*, Opinions and Orders of the Railroad Commission of California, Vol. 8, page 252.)

The railway operating revenue was \$90,850.35 in 1914 and only \$79,534.15 in 1917. From a statement presented covering the first six months of 1918 better results are shown and the operating revenue will no doubt exceed the 1914 figures. This recovery is accounted for by the revival of the lumber and shipbuilding industries at Eureka.

Applicant has nine cars in operation, six one-man and three two-men cars. The use of one-man equipment was inaugurated in 1915 and has resulted in a saving in operating expenses.

During a number of years past necessary repair work has been deferred on equipment, ways and structures, which now demand attention. Applicant estimates an early expenditure of \$37,500.00 for power equipment, track switches, air brake and car materials and street work, part of which, however, is chargeable to capital account.

The testimony and exhibits conclusively show that earnings have not been sufficient in the past to pay operating expenses, taxes, interest on funded and unfunded debts, to say nothing of dividends to stockholders and the setting aside of a depreciation fund. The accrued debit balance on December 31, 1917 was \$51,841.19.

This is an emergency situation, as heretofore stated, created by the increased costs of all commodities and labor by reason of the war, and therefore the relief hereby granted is based entirely upon present day conditions of revenue and expenses.

By reason of the additional revenue now being secured from traffic created by the shipbuilding plants and other war industries, I am of the opinion applicant has not justified an increase to a seven-cent cash fare, with coupon tickets at four rides for twenty-five cents.

The present five-cent fare is unjust, unreasonable and insufficient and I conclude, from a consideration of all the facts, that a six-cent fare is just and reasonable under the circumstances and conditions existing at this time. The six-cent rate is expected to produce sufficient revenue to cover current depreciation.

I submit the following form of order:

ORDER.

The Humboldt Transit Company having applied under section 63 of the Public Utilities Act for permission to increase its passenger fares, and a public hearing having been held and the Railroad Commission

being fully apprised in the premises, it is hereby found as a fact that the existing rate is unjust, unreasonable and insufficient and that the rate herein established is found to be just and reasonable. Basing this order on the findings of fact which precede.

It is hereby ordered that the Humboldt Transit Company be and the same is hereby authorized to establish within twenty (20) days from the date hereof a fare of six cents (6c) within the city of Eureka.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this fourteenth day of September, 1918.

DECISION No. 5752.

IN THE MATTER OF THE APPLICATION OF VALLEJO WATER COMPANY FOR AN ORDER PERMITTING IT TO RAISE AND ADJUST ITS RATES.

Application No. 3819.

Decided September 11, 1918.

WATER RATES.—Applicant granted increased rates based on service rendered but not sufficient to meet interest, annuity and operation, which, it is held, is far in excess of service rendered.

J. H. Dieckmann, Jr., for Applicant.

BY THE COMMISSION.

OPINION.

This is an application by the Vallejo Water Company, a corporation, for an order to increase and adjust rates for water furnished to the inhabitants of the city of Vallejo and contiguous territory in Solano County.

Applicant contends that the present rate schedule is too low, that it does not produce a revenue commensurate with the service rendered and that it is lower than is customarily charged for similar service.

Applicant's system was built in the year 1869 to supply water for domestic, industrial and agricultural uses. It was the only supply for the city of Vallejo for twenty years, at the end of which time the present municipal system was constructed. The property consists of a storage reservoir, earth dam, transmission lines, distribution system, lands and rights of way, all of which has been appraised by F. C. Herrmann, the company's engineer, at approximately \$208,000.00, the

physical properties amounting to \$133,802.00. The company is incorporated for \$1,000,000.00 which is divided into 10,000 shares of the par value of \$100.00 each. There is a mortgage on the property of \$185,000.00, to secure the payment of outstanding bonds held by the stockholders of the company.

Public hearing in this proceeding was held in the city of Vallejo on July 8, 1918, before Harry A. Eneell, Examiner. Mr. J. H. Dieckmann, Jr., testified for applicant that the gross receipts for the year ending on the thirty-first day of December, 1917, were \$4,753.14, and the expenditures \$4,021.84, leaving a net income of \$731.30, exclusive of a depreciation fund and interest on investment. Of the amount expended, \$2,907.37 was for salaries, lowering of mains, repairs, materials and employers' liability insurance and taxes, \$1,114.47 for surveys, inspections, water treatment, reports, publicity, which does not recur annually and should therefore be amortized over a period of years.

The commission's engineer testified that the system was built with sufficient capacity to serve several hundred consumers, while at present there are only about fifty.

It is obvious that to establish a rate schedule which would produce a sum equal to interest on the appraised value, depreciation, and maintenance and operation expense, would necessitate such an increase as would be far in excess of what the service rendered is reasonably worth. We will therefore establish a rate schedule which is fair to the utility and its consumers under the conditions obtaining. The schedule which applicant suggests does not in our opinion equitably distribute the burden among its consumers. We shall therefore modify it establishing, however, a schedule which will produce approximately the same annual revenue as that suggested by applicant.

ORDER.

The Vallejo Water Company, a corporation, having applied to the Railroad Commission to increase and adjust its rates, and a public hearing having been held thereon, and the matter being now ready for decision. It is hereby found as a fact by the Railroad Commission of the state of California, that the existing rates of the Vallejo Water Company are unjust and unreasonable and that the rates hereinafter set out are just and reasonable rates to be charged for water by said company to its consumers, and basing its order on the foregoing findings of fact and each statement of fact in the opinion preceding this order.

It is hereby ordered by the Railroad Commission of the state of California that the Vallejo Water Company is hereby authorized to file

with this commission a schedule of rates to be effective as of September 1, 1918, as follows:

Flat Rates.

Dwellings, hotels and lodging houses, including one bath and one toilet:

Six rooms or less	\$0 75 per month
Seven or eight rooms	1 00 per month
Nine to ten rooms	1 50 per month
For each additional room over ten rooms	25 per month
For each additional bath or toilet	25 per month
Except in case of hotels and lodging houses, where charge will be made for each bath tub	25 per month
For each toilet	50 per month
Public toilets	1 50 per month
Gardens and lawns, $\frac{1}{2}$ cent per square yard	
Street troughs	1 50 per month
Blacksmith shops, small	1 50 per month
Blacksmith shops, large	Meter rates
Stable and garage, one horse	25 per month
1 cow	15 per month
Automobile	25 per month

Meter Rates.

Domestic and industrial uses:

0-1000 cubic feet	22 cents per 100 cubic feet
1000- 5000 cubic feet	17 cents per 100 cubic feet
Over 5000 cubic feet	12 cents per 100 cubic feet
Minimum rate for $\frac{3}{4}$, 1- and 1-inch meters	\$1 00 per month
Minimum rate for each additional $\frac{1}{2}$ -inch meter	50 per month

Irrigation:

0-1000 cubic feet	22 cents per 100 cubic feet
Over 1000 cubic feet	10 cents per 100 cubic feet
Minimum rate same as domestic and industrial.	

It is hereby further ordered that within twenty days from date of this order the Vallejo Water Company file with this commission their revised rules and regulations for its acceptance.

Dated at San Francisco, California, this fourteenth day of September, 1918.

DECISION No. 5757.

IN THE MATTER OF THE APPLICATION OF F. J. CULVER FOR
AUTHORITY TO WITHDRAW TELEPHONE SERVICE.

Application No. 3802.

Decided September 14, 1918.

BY THE COMMISSION.

OPINION.

On or about January 1, 1910, petitioner herein entered into a contract with Southwestern Home Telephone Company for the connection of a telephone line, which was later constructed, for telephone service for

the use of Forest Home Outing Company at Forest Home in Mill Creek Canyon, San Bernardino County. Subsequently, petitioner permitted the connection of telephones to this line for the use of the following parties along its route, viz: L. A. Harvey, Kate Harvey, M. R. Covington, Mill Creek Ranch, California Marble Company, Jack Allen and O. P. Wyatt.

During the year 1915, petitioner's line was destroyed by flood and has not since been rebuilt. Although petitioner has heretofore charged and collected rates for the service rendered, it was not the intention originally to operate the line as a public utility, and petitioner now seeks authority to formally withdraw the service.

Of the parties formerly served by this line, one is since deceased, one has left the country, another has gone out of business, and another now is provided with telephone service by Southwestern Home Telephone Company. The three remaining parties have given their written consent to the withdrawal of service by petitioner, and their written consent has been filed with the Railroad Commission.

We are of the opinion that this petition should be granted and that this is not a matter requiring a public hearing.

ORDER.

Application having been filed with the Railroad Commission by F. J. Culver to withdraw telephone service, as set forth in the preceding opinion, and it appearing to the Railroad Commission that this is not a matter in which a public hearing is necessary,

It is hereby ordered by the Railroad Commission of the state of California that the petition herein be and it is hereby granted.

Dated at San Francisco, California, this fourteenth day of September, 1918.

DECISION No. 5758.

IN THE MATTER OF THE APPLICATION OF STATE WAREHOUSE COMPANY FOR AUTHORITY TO INCREASE AND ADJUST WAREHOUSE RATES.

Application No. 3023.

Decided September 11, 1918.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas the Railroad Commission in Decision No. 4910, dated November 30, 1917, authorized State Warehouse Company to make

certain increases in its warehouse rates applicable at Stockton, Marysville and Chico, in which decision the following language was used with reference to warehouse rates and service at South Vallejo:

"A portion of Sperry Flour Company's plant at South Vallejo, including that part devoted to public storage and operated by applicant was destroyed by fire on August 31, 1916. It is being rebuilt, and when finished applicant will reopen its warehouses; however, the amount of space available and rental therefor have not been determined, consequently rates, rules and regulations will not be established in the accompanying order for warehouse service at South Vallejo. Later the matter may be covered by supplemental order if necessary;" and

Whereas said rebuilding is now completed and State Warehouse Company has filed a supplemental application modifying in certain particulars its original request as it relates to rates at South Vallejo, including the establishment of additional charges for receiving and delivering grain in bags and for storing grain in bulk; and

Whereas in justification of the amended request applicant alleges operating costs are higher than obtained at the time of the previous hearing, which allegation has been fully established by this applicant in a subsequent proceeding covering practically the same warehouse service performed under similar conditions, as they pertain to the handling of sacked grain (see Application No. 3900, Decision 5623); and

Whereas the storage of grain in bulk is a service not heretofore performed by applicant as a public utility under rate schedules filed with the Railroad Commission; and

Whereas under the above statement of facts the commission believes that it is not necessary to hold another hearing in this matter, but that the application should be granted,

It is hereby ordered that State Warehouse Company be and the same is hereby granted authority to publish and file with this commission within twenty (20) days from date hereof schedules showing rates, rules and regulations for the storage and handling of grain at South Vallejo, as set forth in Exhibit "A" accompanying the supplemental application, and thereafter collect and enforce the same, such rates, in so far as they are increases over rates now in effect, being as follows:

Rate Schedule.

Covering Storage and Handling of Grain in Sacks.

Storage,	
1 month or less	\$0 50 per ton.
2 months or fraction over 1 month	75 per ton.
Over two months, including season ending May 31	1 00 per ton.
Weighing and delivering to craft	20 per ton.
Weighing and loading into cars	25 per ton.

Dated at San Francisco, California, this fourteenth day of September, 1918.

DECISION No. 5759.

IN THE MATTER OF THE APPLICATION OF THE SOUTHERN SIERRAS POWER COMPANY FOR AN ORDER APPROVING THE ASSUMPTION OF THE PAYMENT OF A CERTAIN PROMISSORY NOTE AND COLLATERAL MORTGAGE INDEBTEDNESS MADE TO FLORENCE O. HOXIE BY RIVERSIDE ABSTRACT COMPANY, SAID MORTGAGE AND NOTE BEING ASSUMED BY APPLICANT COMPANY UNDER ITS CONTRACT FOR THE PURCHASE OF ITS OFFICE BUILDING IN THE CITY OF RIVERSIDE.

Application No. 4001.

Decided September 11, 1918.

I. B. Potter, for Applicant.

EDGERTON, *Commissioner*.

OPINION.

The Southern Sierras Power Company asks authority to assume the payment of a \$19,000.00 indebtedness represented by a note, the payment of which is secured by a mortgage.

In March, 1918, applicant agreed to purchase for \$51,000.00 a building from the Riverside Abstract Company situated on the northerly side of Eighth street, between Main and Market streets, in the city of Riverside. Applicant desires to use this building for office purposes. Applicant reports that it has paid \$32,000.00 of the purchase price in cash and that it has agreed to assume the payment of a \$19,000.00 note secured by a mortgage.

It appears that on or about April 18, 1914, the Riverside Abstract Company executed to Florence O. Hoxie a mortgage covering the property in question to secure the payment of a \$20,000.00 note payable five years after date. The sum of \$1,000.00 has been paid on this note. The Southern Sierras Power Company reports that Florence O. Hoxie has agreed to extend the payment of the note for a period of four years, or to April 18, 1923. A copy of the mortgage and copy of the agreement to extend the payment of the note are attached to the petition herein and marked Exhibits "B" and "C," respectively.

Both the petition herein and the testimony show that it is to the interest of The Southern Sierras Power Company to acquire the property described in the petition and in the exhibits attached thereto.

I herewith submit the following form of order:

ORDER.

The Southern Sierras Power Company having applied to the Railroad Commission for authority to assume the payment of a \$19,000.00 indebtedness, a hearing having been held, and the commission being of the opinion that this application should be granted.

It is hereby ordered that The Southern Sierras Power Company be and it is hereby granted authority to assume the payment of a

\$19,000.00 indebtedness represented by a note payable to Florence O. Hoxie on April 18, 1923, the payment of said note being secured by a mortgage and referred to in said mortgage and agreement attached to the petition herein and marked Exhibits "B" and "C," respectively; provided,

(1) That the authority herein granted shall not become effective until The Southern Sierras Power Company has paid the fee prescribed by the Public Utilities Act.

(2) That the authority herein granted shall apply only to such indebtedness, the payment of which may be assumed by The Southern Sierras Power Company within sixty days after the date hereof.

(3) That The Southern Sierras Power Company shall within sixty days after the date hereof notify the commission in writing whether or not it has assumed the payment of the \$19,000.00 note referred to in the order herein.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this fourteenth day of September, 1918.

DECISION No. 5763.

IN THE MATTER OF THE APPLICATION OF WESTPORT TIE COMPANY
FOR AN ORDER APPROVING THE ORDER OF THE BOARD OF
SUPERVISORS OF THE COUNTY OF MENDOCINO IN GRANTING
FRANCHISE TO CONSTRUCT WHARF.

Application No. 3747.

Decided September 11, 1918.

Mannon & Mannon, for Applicant.

BY THE COMMISSION.

ORDER.

Westport Tie Company reports that it is engaged in the business of manufacturing railroad ties near the village of Westport, Mendocino County, and that it desires and intends to engage in the business of erecting, maintaining and operating a wharf over the waters of the Pacific Ocean at Westport and collect tolls.

Attached to the petition herein is a copy of applicant's articles of incorporation, a copy of Ordinance No. 205 of the board of supervisors of Mendocino County under which applicant proposes to operate, also a copy of permit issued by the United States War Department authorizing the construction of the wharf. While it appears from applicant's articles of incorporation that it was not organized primarily for the

purpose of conducting a public utility business, the fact remains that if it operates this wharf for profit, it will come under the jurisdiction of the Railroad Commission. Applicant may find it advisable, therefore, to amend its articles of incorporation accordingly. Section 1 of Ordinance No. 205 of the board of supervisors of Mendocino County provides that applicant may take and charge such tolls for freight as may be fixed by the board of supervisors of Mendocino County. Under the provisions of the Public Utilities Act, the Railroad Commission has complete jurisdiction over the rates charged by wharfingers notwithstanding contrary provisions in the ordinance.

It is hereby ordered that the Railroad Commission approve the authority granted Westport Tie Company by the board of supervisors of the county of Mendocino, Ordinance No. 205, being a franchise to run, control, manage and maintain a wharf, chute and pier at the town of Westport in said county of Mendocino; except that the commission does not approve section 1 of said ordinance in so far as the same purports to grant to the board of supervisors of said county the right to fix the rates for freight going over said wharf, chute, or pier, inasmuch as the authority to fix rates is vested in the Railroad Commission; and provided, that before this order is effective applicant shall file with the commission stipulation to be approved by the commission, setting forth that neither applicant, its successors or assigns, will ever claim before the Railroad Commission or other public body, a value for the rights and privileges granted by said ordinance in excess of the amount actually paid to the county of Mendocino as the consideration for the granting of such rights and privileges, which cost shall be stated in said stipulation.

Dated at San Francisco, California, this sixteenth day of September, 1918.

DECISION No. 5764.

IN THE MATTER OF THE APPLICATION OF A. FERGUSON FOR PERMISSION TO INCREASE WATER RATES.

Application No. 3783.

Decided September 16, 1918.

E. J. Emmons, for Applicant.

Walter Osborn, for water users.

BY THE COMMISSION.

OPINION.

This is an application for authority to increase rates for domestic water served to about 58 consumers in Oildale, a suburb of Bakersfield.

A public hearing was held by Examiner Westover at Bakersfield, at which oral and documentary evidence was introduced, and it was stipulated that a valuation of applicant's property might subsequently be made and submitted by Mr. R. W. Hawley, the commission's hydraulic engineer. Mr. Hawley's report has been received and placed in evidence, and the matter is now ready for decision.

Applicant's plant consists of well, pump, motor, tank with tower, and about 3,000 feet of 2-inch distributing mains. Services have been installed by consumers and are not claimed by applicant.

The testimony of consumers showed that pressure is frequently poor; that at times water is not available; that at other times it contains sediment and rust, evidently due to poor circulation; and that during the summer time the water is very warm, owing to the fact that considerable pipe is exposed or very near the surface.

The testimony further shows that lack of water and of water pressure is largely due to carelessness in leaving faucets open and in failure to properly conserve water. The reduction in the amount of water used, if served through meters, would result in a very material reduction in the cost of pumping. Mr. Hawley estimates that the use of meters and selling of water under measured rate would result in a saving of about half the amount of water now pumped yearly with a similar reduction in the cost of pumping.

Mr. Hawley estimates the cost of the plant and system as \$2,542.00, including \$100.00 for the rear third of the lot on which the plant is located, as being used and useful; and that the cost of lowering the 2-inch mains, placing them twelve to eighteen inches underground, and installing fifty meters, would cost about \$790.00, and installing about 150 feet of 2-inch main to connect the present lines and improve the circulation would cost about \$60.00, making a total added investment of about \$850.00. He also estimates that the annuity on a 5 per cent sinking fund basis to cover depreciation in plant will amount to about \$154.00 per year.

Applicant showed expenditures for the year ending June 1, 1918, of \$291.28, \$140.00 of which was of unusual character and will not recur in equal amount each year. No allowance for superintendence is included in the above \$291.28. Mr. Hawley estimates the annual needs of the system as follows:

Power	\$70 00
Supplies and repairs	140 00
Superintendence	360 00
Depreciation annuity	154 00
Return on investment of, say, \$3,400 at 8 per cent	272 00
	\$996 00

Based on the records of water used in towns that have been metered for a considerable time, it is estimated that the rates fixed in the order will produce sufficient revenue to meet the charges above shown.

ORDER.

A. Ferguson having applied for authority to increase rates for domestic water served by him in Oildale, a suburb of Bakersfield, a public hearing having been held thereon, the matter being submitted and now ready for decision, it is hereby found that present rates, in so far as they differ from the rates herein established, are unjust and unreasonable and that the rates herein established are just and reasonable rates, and,

Basing its conclusion upon the above findings of fact and the findings of fact contained in the opinion preceding this order,

It is hereby ordered that A. Ferguson be and he is hereby authorized and empowered to charge and collect the following rates for water served in Oildale, after filing schedule showing the following rates, to wit:

For water used between 0 and 800 cubic ft. monthly, 25 cents per 100 cubic ft.
For water used above 800 cubic ft. monthly, 10 cents per 100 cubic ft.
Minimum charge for each meter in use, \$1.00 per month.

It is hereby ordered that the distributing mains be placed at least one foot underground and that all services be metered.

It is further ordered that within thirty days from date applicant install 2-inch main at approximately right angles with the main now installed in Hughes avenue, connecting it at or near its end with the main installed in the alley between Hughes avenue and Ferguson avenue.

Dated at San Francisco, California, this sixteenth day of September, 1918.

DECISION No. 5768.

IN THE MATTER OF THE APPLICATION OF COAST COUNTIES GAS AND ELECTRIC COMPANY FOR AN ORDER FIXING ELECTRIC RATES.

Application No. 3923.

Decided September 17, 1918.

ELECTRIC RATES—DISTRIBUTION OF INCREASE.—Applicant's rates affording fairly reasonable apportionment of cost of service increases necessary should be by surcharge. Utility must bear a portion of increased cost due to war conditions Street railroad surcharge to relieve other consumers.

S. Waldo Coleman, for Applicant.

W. R. Springer, for city of Santa Cruz.

W. G. Fitzgerald, for town of Gilroy.

J. A. Merrill, for city of San Juan.

A. W. Sans, for city of Watsonville.

DEVLIN, *Commissioner*.

OPINION.

This is an application of the Coast Counties Gas and Electric Company for an order of the commission modifying its electric rates, made necessary by the increased costs of operation occasioned by the war emergency.

Applicant alleges that the materials used in the operation of its electric properties have substantially increased in price; that wages paid its employees have been advanced and will continue so to do; that as a result of Decision No. 5519 of the Railroad Commission, in which the commission raised the rate for power purchased by applicant from Pacific Gas and Electric Company, its production cost is likewise increased; that the cost of oil used in its steam power plants has more than doubled and that for at least the last six months of this year an abnormally greater output of its steam power plants is necessary on account of the general shortage of power in northern and central California. Applicant further alleges that its margin of earnings has been so reduced that unless relief is granted it will be seriously embarrassed in both its service and finances, and asks that rates be fixed for electric service that will produce a return at least equal to that resulting from applicant's electric operations for the year ending May 31, 1917, and preferably in the form of a surcharge so that relief will be afforded at an early date.

A hearing was held at Santa Cruz on August 15, 1918, testimony introduced and the matter submitted for decision.

Coast Counties Gas and Electric Company is engaged in the production, distribution and sale of electric energy in the counties of Santa Cruz, Monterey, San Benito and Santa Clara. Its system covers generally these counties and the cities and towns of Santa Cruz, Watsonville, Hollister, San Juan, Gilroy and Morgan Hill therein. Applicant owns and operates a small hydroelectric plant located at Swanton in Santa Cruz County, and auxiliary steam generating plants at Santa Cruz and Watsonville. The major portion of the energy sold by it, however, is purchased from the Pacific Gas and Electric Company, delivery of which is made at Davenport and Morgan Hill.

At December 31, 1917, applicant was serving with electricity 6,727 consumers, and during the same year sold to consumers a total of 6,293,900 kilowatt hours for light and power.

Applicant's gross revenue from electric operations and its operating expenses, exclusive of depreciation, for the years 1915, 1916 and 1917 are shown in Table I following:

TABLE I.

Coast Counties Gas and Electric Company—Electric Operating Revenue and Expenses.

Year ended December 31	1915	1916	1917
Gross revenue	\$245,736	\$260,511	\$283,310
Production expense, net.....	\$51,356	\$58,722	\$69,500
Transmission expense	5,750	6,311	5,345
Distribution expense	15,491	17,793	18,082
Commercial expense	9,830	11,013	14,319
General and miscellaneous expense.....	15,568	14,359	15,064
Taxes	13,575	14,265	16,187
Total operation expenses*.....	\$111,570	\$122,463	\$138,497
Net revenue for depreciation and return.....	\$134,166	\$138,048	\$144,843

*Uncollectible accounts not included.

I shall now proceed with a consideration of the factors which have affected the operating expenses of applicant, for which it asks reimbursement in the form of higher rates to its consumers. I have set forth above that the major portion of the energy sold by applicant is obtained by purchase from Pacific Gas and Electric Company. The rate established by a former contract for this purchase of power averaged 9.85 mills per kilowatt hour. By Decision No. 5519, effective July 10, 1918, the former rate in applicant's contract was modified by the commission's order, and further by the addition of a surcharge of 1 mill per kilowatt hour for all energy thus purchased. The effect of these two modifications is that energy purchased by applicant will hereafter cost at least 10.85 mills per kilowatt hour.

Under normal conditions applicant's steam generating plants at Santa Cruz and Watsonville were operated only as stand-by stations to insure continuity of service on its system.

Prior to September 30, 1917, applicant paid for fuel oil 77 cents and 88 cents per barrel at Santa Cruz and Watsonville, respectively. Upon the expiration of its oil contracts, the cost of oil to applicant has increased so that after August 9, 1918, it pays for oil, including added freight charges, \$2.00 and \$2.10 per barrel at Santa Cruz and Watsonville, respectively. In this connection it is important to note that under normal conditions applicant's consumption of fuel oil is moderate, but due to the present power shortage, not only in applicant's own hydroelectric plant, but in the hydroelectric plants of the Pacific Gas and Electric Company, it has been necessary to operate both of applicant's steam generating plants at the highest possible output since August 1, 1918, which operation must, in all probability, continue until the close of the present year. The effect of both of these factors is set forth in some detail later.

Applicant's management has found it necessary to meet the rising scale of wages paid its employees engaged in both construction and operation. Applicant has submitted for the information of the commission a carefully prepared statement of the pay roll increases it will be compelled to meet in the immediate future. It appears from an analysis of these figures that during the 12 months ending June 30, 1919, applicant's expenses for labor in the operation of its electric business will be \$10,400.00 more than its labor expenses for the preceding 12 months, and further shows as a fact that during the preceding year its increased labor costs were nearly \$1,000.00 in excess of the corresponding item for the year ending June 30, 1917.

Costs of materials used in the maintenance and operation of its properties have also risen, and some curtailment of revenue, due to the Daylight Saving Act and the orders of the Power Administrator in certain industries and businesses served by it, has occurred.

The territory served by applicant does not include any war industries or developments of a character requiring an increased use of electric power for war purposes. The growth of applicant's business has been nominal during the last few years and it is not anticipated that any substantial increase in the sales of electric energy will occur in the immediate future. I am of the opinion that applicant's revenue, due to the character of its business and territory served, will increase but slightly in the year ending June 30, 1919.

The following statement, compiled from the exhibits submitted by applicant, shows in some detail the revenue and operating expenses less depreciation of applicant's electric business for the year ending June 30, 1918, with an estimate of the corresponding revenue and expenses for the year ending June 30, 1919, and the increases in each item:

TABLE II.

Coast Candles Gas and Electric Company - Increases in Electric Operating Expenses.

Year ended June 30	1918	1919 (estimated)	Increase
Gross revenue	\$292,834	\$292,858	\$24
Production expense	\$86,258	\$112,525	\$26,267
Transmission expense	5,004	6,510	1,506
Distribution expense	20,731	24,763	4,029
Commercial expense	14,257	16,045	1,788
General and miscellaneous expense	16,792	18,290	1,498
Taxes	17,617	20,000	2,383
Uncollectible bills	1,500	1,700	200
Total operating expenses	\$162,252	\$199,833	\$37,581
Net revenue for depreciation and return	\$130,582	\$93,025	\$37,557

*Includes latest increases in oil costs.

*Decrease.

A reduction in purchased energy and a correspondingly larger output of steam produced energy with higher prices and increased use of fuel oil for the period under consideration, has greatly increased applicant's production costs. The increases shown for transmission, distribution, commercial, general and miscellaneous expenses are due to the increased wages paid employees and the increased cost of materials used under these classifications.

From Table II above, it will appear that applicant's estimated net revenue, exclusive of depreciation, for the year ending June 30, 1919, will be \$93,025.00, which is \$37,557.00 less than that resulting from its operations for the preceding fiscal year, with existing rates in force, and \$49,437.00 less than that earned for the year ended May 31, 1917.

Applicant asked that it be reimbursed so that it will obtain a net revenue at least equal to that it received for the year ending May 31, 1917, which was the sum of \$142,461.58, shown in Exhibit "A." The reasonableness of applicant's earnings may, for the purposes of this proceeding alone, be determined from an examination of the value of applicant's properties and a comparison of the same with the net revenue thus earned for the year ended May 31, 1917. Applicant has submitted a valuation of its electric properties as of April 1, 1912, compiled by J. G. White & Company, in the sum of \$1,079,559.00, and with additions and betterments set forth in applicant's books and records of June 30, 1918, in the sum of \$1,473,963.00.

It appears that the overhead charges used in this valuation are excessive for applicant's electric properties, and that the above figure of \$1,079,559.00 should be reduced by the sum of \$70,845.00, leaving a corrected figure for the properties as of April 1, 1912, in the sum of \$1,008,714.00. This, together with the additions and betterments set forth above, with reasonable allowances for materials and supplies and working capital, results in a figure of \$1,342,025.00, which closely approximates the value of the properties as of January 1, 1917, as set forth in Table III. I use this figure of \$1,342,025.00 as a reasonable valuation of applicant's electric properties as of January 1, 1917, to measure the returns obtained from its operations, for the purposes of this proceeding alone, however. In using this figure it must be understood that it in no way fixes the value of applicant's electric properties for any purpose other than the present emergency proceeding. The net revenue of \$142,461.58 set forth above for the year ended May 31, 1917, after the deduction of a proper allowance for depreciation, corresponds to a return of about 8 per cent upon the value of the properties as of January 1, 1917. I am of the opinion that this does not constitute an unreasonable or excessive rate of return, and further, that applicant's electric rates should be so modified that the resulting

revenues will provide it with a return comparable to the above figure, and further provided no undue burden falls upon its consumers.

TABLE III.

Coast Counties Gas and Electric Company--Electric Capital.

J. G. White appraisal, April 1, 1912, corrected for overhead-----	\$1,008,714	
Net additions:		
April 1, 1912, to August 31, 1913-----	\$182,508	
September 1, 1913, to December 31, 1914-----	61,761	
January 1, 1915, to December 31, 1915-----	20,809	
January 1, 1916, to December 31, 1916-----	18,233	
		283,311
Total physical properties, January 1, 1917-----	\$1,292,025	
Add tools, materials and supplies and working capital-----	50,000	

Valuation as of January 1, 1917-----	\$1,342,025	
Physical properties as of January 1, 1917-----	\$1,292,025	
Additions:		
January 1, 1917, to June 30, 1917-----	\$17,825	
July 1, 1917, to December 31, 1917-----	15,144	
January 1, 1918, to June 30, 1918-----	20,091	
Estimated additions to December 31, 1918-----	15,000	
		68,060
Total physical properties, January 1, 1919-----	\$1,360,085	
Add tools, materials and supplies and working capital-----	55,000	

Valuation as of January 1, 1919-----	\$1,415,085	

Applicant's rates on file with the commission for electric service, although not fixed by this commission in any of its earlier proceedings, appear to afford a fairly reasonable apportionment of the cost of service under normal conditions among the several classes of service for which schedules are provided. Such being the case with applicant's rates, I deem it advisable to apportion the necessary additional revenues among applicant's various consumers in the form of surcharges for the different classes of service.

Applicant has on file with this commission, in addition to its regular rate schedules, certain deviations therefrom in the form of special contracts. An examination of these contracts indicates that little discrimination, if any, exist as between these consumers under contract and the larger group of consumers served under filed rate schedules. It further appears that if consumers now being charged under special contract rates were placed upon the regular rate schedules that substantially no difference in their bills for electricity would arise. For the purpose of establishing uniformity and simplifying the rate situation in this regard, I deem it advisable at this time that all such so-called deviation rates be discarded and that all consumers heretofore enjoying

such special rates be now placed upon the regular rate schedules applicable to their classes of service.

The surcharges set forth in the order herein, when applied to the sales of energy, will produce additional revenue as follows:

Lighting, 1,800,000 kilowatt hours at 1.5 cents per kilowatt hour	\$27,000 00
Power, 4,343,000 kilowatt hours at .5 cents per kilowatt hour	21,715 00
Street lighting, 10 per cent of bills	2,180 00
Total annual increase in revenue from surcharges	\$50,895 00

The Union Traction Company, operating an electric street railway system in Santa Cruz and suburbs, obtains its power from applicant. This railway company is owned and controlled by applicant, and obtains the power for the operation of its cars direct from applicant's system. Heretofore Union Traction Company has paid applicant for power at a rate of 1 cent per kilowatt hour, which has been deducted from the total cost of power, and the net thus derived has been charged to applicant's other electric consumers. On this basis, Union Traction Company would not now pay a rate commensurate with the service obtained. In providing for a charge to be made to Union Traction Company for its power, I have used a figure of 1.2 cents per kilowatt hour, which I believe to be reasonable for their supply under present conditions. This may be stated in the form of a 1 cent rate plus a 20 per cent surcharge. The order herein will, therefore, provide for a surcharge for electric railway power of 20 per cent, and the increase in revenue from the Union Traction Company will thus correspondingly reduce the charge for energy to applicant's other consumers.

Applicant will earn from the surcharges hereinafter fixed, gross and net revenue as follows:

Gross revenue from existing rates	\$292,858 00
Additional revenue from surcharges	50,895 00
Total gross revenue	\$343,753 00
Operating expenses from Table II	\$199,833 00
Additional taxes on surcharges	3,054 00
Total operating expenses	\$202,887 00
Net revenue for depreciation and return	\$140,866 00

The net revenue of \$140,866.00 to be thus earned for the year ending June 30, 1919, after the deduction of a reasonable depreciation allowance, corresponds to a return slightly in excess of 7 per cent on \$1,415,085.00, the valuation hereinafter established for January 1, 1919. This is \$1,596.00 less than the net earned for the year ending May 31, 1917, but \$47,841.00 more than would have resulted from existing rates.

Thus applicant, itself, will bear part of the added costs of operation, as well as its consumers.

The total additional revenue to be thus obtained will not be sufficient to meet the increased expenditures and allow applicant its former net revenue.

The rate increases, however, are all that should be borne by applicant's consumers.

The surcharges set forth in the order herein will provide applicant with sufficient additional revenue to absorb most of its increased operating costs, and the collection of these surcharges, in addition to the charges established by the regularly filed rate schedules of applicant, will not unduly burden its consumers, nor will it provide applicant with more than a reasonable return from its electric operations.

I submit the following form of order:

ORDER.

Coast Counties Gas and Electric Company having applied to this commission for an order fixing electric rates, a hearing having been held, the matter submitted and being now ready for decision, the Railroad Commission of the state of California hereby finds as a fact that the rates now charged for electric service by applicant are insufficient to provide applicant with an adequate return, and to this extent and in so far as they differ from the rates hereinafter established, the existing rates of applicant are not just and reasonable rates, and further, that applicant's existing rates, when modified by the addition of the surcharges hereinafter set forth, will be just and reasonable rates.

Basing its order upon the foregoing findings of fact and the other findings of fact contained in the opinion which precedes this order,

It is hereby ordered that on and after the twentieth day of September, 1918, Coast Counties Gas and Electric Company shall charge and collect for electric energy sold, only the schedule rates now on file with the Railroad Commission of the state of California, except for energy sold under special contracts to which no filed schedule of rates applies, and except for energy sold to those classes of consumers to whom applicant may grant free or reduced rates as set forth in section No. 5 of General Order No. 45 of this commission.

It is hereby further ordered that Coast Counties Gas and Electric Company be and is hereby authorized to charge and collect for electric energy sold, in addition to the rates and charges established in the preceding paragraph of this order, the following surcharges applicable to the classes of service and in the amounts respectively set forth, to wit:

For energy sold for lighting service, including domestic, commercial and municipal metered service.....	1.5 cents per kilowatt hour
For energy sold for power service, including heating and cooking.....	
.....	5 mills per kilowatt hour
For energy sold for municipal street lighting....	10 per cent of monthly bills
For energy sold for electric railways.....	20 per cent of monthly bills

Which surcharges shall apply on all regular meter readings taken on and after the twentieth day of September, 1918.

Provided, Coast Counties Gas and Electric Company shall, within ten days of the date of this order, file with the Railroad Commission of the state of California a statement showing the rates to which each of the surcharges hereinbefore authorized shall apply, which statement shall constitute an amendment to existing rate schedules on file; and that Coast Counties Gas and Electric Company shall designate separately on the bills rendered its consumers for electric energy the amount due it under the authorized surcharges.

It is hereby further ordered that Coast Counties Gas and Electric Company shall file with the commission, on or before the twentieth day of each month, a statement covering its capital expenditures, revenues and expenses for the preceding month and for the period beginning January 1, 1918, and such other information as the commission may hereafter designate.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this seventeenth day of September, 1918.

DECISION No. 5770.

IN THE MATTER OF THE APPLICATION OF WESTERN STATES GAS AND ELECTRIC COMPANY FOR AUTHORITY TO INCREASE ITS ELECTRIC RATES IN HUMBOLDT AND TRINITY COUNTIES.

Application No. 3947.

Decided September 18, 1918.

INCREASE OF RATES—ORDER OF CONSERVATION.—Applicant asks increase of rates for the Eureka district on the expense due to war conditions and specially because of an order of the Power Administrator requiring maximum steam power production; allowed for steam power production, but cost of power due to shortage of water may be considered such as on an average of a period of years will be offset by greater hydroelectric output on year of high rainfall. Increase granted.

Chickering & Gregory, by Evan Williams, for Applicant.

J. J. Cairns, for the city of Eureka.

Perry W. Stamps, for California Central Creameries.

LOVELAND, *Commissioner.*

OPINION.

The Western States Gas and Electric Company requests the commission to increase its rates for electric energy by reason of the increased

charge which the applicant has to pay for oil, increased cost in wages, increased taxes, and increased price of material.

The applicant does not ask for a return of 8 per cent plus depreciation charge on the investment as it realizes that the utility should bear a portion of the burden. It contends, however, that if conditions continue as at present the company will earn little more than the operating charges.

The electric rates of applicant were fixed by the commission in its Decision No. 3852, Application No. 1998, issued November 6, 1916. Opinions and Orders of the Railroad Commission of the State of California, Volume 11, page 891. The rates therein fixed were based upon the then existing normal operating conditions. It was not expected that the rates then fixed would net applicant 8 per cent on its investment. The rates for lighting service fixed by the commission were later reduced by the company in so far as they apply in the incorporated territory of Eureka, owing to threatened competition by a municipal system.

The applicant now asks that the rate be readjusted so that it may be permitted to earn, as far as possible, a reasonable rate of return on its investment in its electric department in said division, and also that an increased rate or surcharge be allowed sufficient to reimburse applicant for the extraordinary operating expenses incurred by it due to increase in the cost of labor and material and due to the present shortage of electricity caused by deficiency in water power.

The evidence in this proceeding shows that applicant has been required to increase salaries and wages to its employees in amount equal to \$1,500.00 per month or \$18,000.00 per year, over those in 1916 at the time the rates were fixed.

The price of fuel oil used in applicant's steam plant has increased from \$0.902 per barrel to \$1.77, resulting, according to testimony of applicant, in an increase, based upon past operations, of \$13,328.00 per annum. This should be corrected somewhat for conditions as they will probably exist in the future when normal operations return. Due to the purchase of power from the Northern California Power Company and the more continuous operation of the transmission system I believe an estimate of \$10,000.00 would be a fair figure for this increased cost.

The present year has been one of short rainfall, resulting in a materially smaller hydroelectric output of applicant's plant at Junction City. In connection with Application No. 1998, above referred to, the commission therein recommended that a connection be made between the Western States Company and the Northern California Power Company as a possible solution of the problem of production cost. This recommendation was accepted by the company, a connection was completed

at a cost of approximately \$100,000.00 and power supplied to Western States Company at \$0.006 per kilowatt hour.

Applicant commenced purchasing power from Northern California Power Company in the fall of 1917. A shortage of power exists over the entire northern and central part of the state, and it has been necessary to pool all electric power on the systems of the interconnected electric utilities in the northern and central parts of the state and to distribute it under the direction of a power administrator. Power Administrator H. G. Butler ordered delivery of power to applicant from Northern California Power Company suspended on July 20, 1918, and the steam plant in Eureka put into operation, in order to make possible the continuance of service to industries in other parts. The operation under this order will probably continue until the winter rainfall occurs, and in the following estimates it has been assumed that the purchase of power from the Northern California Power Company will recommence on December 1, 1918. A resultant increase in cost from the full operation of the steam plant will result for which applicant must be compensated.

The values of the electric properties as fixed by the commission as of March 31, 1916, was as follows:

Electrical properties operative	\$1,192,165 00
Nonoperative	130,342 00
	\$1,322,507 00

The evidence introduced in this application shows conclusively that applicant's net earnings are low and are as follows:

	Year, 1916	Year, 1917	Six months, 1918
Gross receipts	\$187,397 27	\$193,664 06	\$101,669 00
Operating expense	101,248 85	115,527 10	58,853 72
Net from operation	\$86,148 42	\$78,136 96	\$45,815 28
Depreciation	29,944 68	33,000 00	17,600 00
Balance for return on investment	\$56,203 74	\$45,136 96	\$28,215 28
Investment (operative)	\$1,192,165 00	\$1,239,306 00	\$1,391,300 00
Net additions and betterments	47,141 00	151,994 00	29,918 00
	\$1,239,306 00	\$1,391,300 00	\$1,421,218 00
Rate of return	4.7%	3.4%	2.0%

The net earnings at present rates will be materially less during the last half of the present year than the first half due to greater steam power required.

The estimated kilowatt hour requirements for the last six months of 1918, based upon production by hydro and purchase of energy, are as follows:

July	682,000 kilowatt hours
August	675,000 kilowatt hours
September	709,000 kilowatt hours
October	733,000 kilowatt hours
November	730,000 kilowatt hours
December	774,000 kilowatt hours
Total	4,303,000 kilowatt hours
Monthly average	717,166 kilowatt hours

The hydroelectric plant at Junction City is at present generating 300 kilowatts. The records for a normal year indicated that the average monthly output for the last six months in the year will be 67 per cent of the August capacity, or 200 kilowatts, making a possible 144,000 kilowatt hours monthly.

Under normal conditions 10,000 kilowatt hours would be generated monthly from the company's Steam Station "B" located at Eureka, and the remainder of the power not generated at their hydroelectric plant would be purchased from Northern California Power Company. Under the Power Administrator's orders, this must be produced by steam.

Estimate of Average Monthly Power Supply. Last Six Months of 1918.

Average monthly kilowatt hours requirement	717,166 K.W.H. per mo.
Output of hydro plant	144,000 K.W.H. per mo.
Steam produced or purchased	573,166 K.W.H. per mo.
Line loss at 9 per cent	51,585 K.W.H. per mo.
Steam production requirements	521,581 K.W.H. per mo.
Normal stand-by production at Station "B"	10,000 K.W.H. per mo.
Extra to be generated by Station "B"	511,581 K.W.H. per mo.

Applicant introduced the following evidence to show the cost of generating at Steam Plant "B," operating under power administration orders from July 20, 1918, to August 10, 1918, inclusive.

Kilowatt hours generated at Steam Plant "B"	347,700
Production cost:	
Steam generator labor	\$585 42
Fuel oil, 2,414.1 bbls., at \$1.77	4,272 95
Steam generator supplies	42 68
Maintenance	68 64
Total cost	\$4,969 69
Cost per kilowatt hour	.0143

The above calculation is subject to a correction owing to a constant stand-by cost at Station "B" under normal conditions of operation

which has been accounted for above. This item for the 20-day period is estimated at \$549.72, leaving a net increased cost due to the additional operation of the steam plant of \$4,419.97 for 20 days.

Based upon the kilowatt hours generated, the operating cost of energy from the steam plant for additional production will be as follows:

Kilowatt hours generated.....	347,700	
Corrected cost per kilowatt hour.....		\$0.0127
Kilowatt hour cost on N. C. P. Co. rate.....		0.0060
Increased cost per kilowatt hour under present operating conditions..		\$0.0061

The operation of the steam plant under the Power Administrator's orders for the remainder of the period to December 1 will cause an increase in the cost of operation on the above basis over that which would have occurred had the order not been made of \$15,600.00.

Had applicant been able to purchase all current required from Northern California Power Company there would still have been an abnormal increased cost due to water conditions amounting to 6 cents per kilowatt hour for energy purchased, which normally would have been generated by the hydro plant. The exact amount of this is difficult of determination, but represents an increased cost of approximately \$6,000.00 for the year.

The main item of increased expense for the year commencing July 1, 1918, may be summarized as follows:

Increased labor	\$18,000
Increased oil for stand-by	10,000
Increased cost due to low water	6,000
Increase due to Power Administrator order.....	15,600
Increased taxes	3,000
Total	\$52,600

Of the above, the cost of power due to shortage of water may be considered such as on an average of a period of years will be offset by greater hydro output on year of high rainfall.

It is apparent from the above that relief must be granted applicant in the form of increased rates.

Applicant requests first an increase of the rates to cover apparent permanent increased costs and, in addition, a surcharge to cover increased costs of a less permanent nature. In general, changes in the rate structure at this emergency time are not advisable except where it appears, from an analysis of the situation, that an adjustment of the rate form is necessary to remove existing inequalities.

As mentioned in the preceding part of this opinion, the rates for lighting service as fixed by the commission in Decision No. 3852 were later reduced in the incorporated territory of Eureka owing to threatened competition by a municipal system, thereby reducing the revenue

materially. Had this not been the case, it would not now be necessary to add so large a surcharge as has been found to be necessary.

I believe that the lighting rates for the entire Eureka division should be readjusted to conform in general to that authorized in the previous decision, with some slight changes, before any increase is added in the form of a surcharge.

The applicant has two power schedules effective which differ widely. From an analysis it would appear that the costs are not fairly distributed by these rates. Schedule No. 4 is a block rate, varying from 6 cents per kilowatt hour for the first 100 kilowatt hours per month to $1\frac{1}{2}$ cents per kilowatt hour for all over 20,000 kilowatt hours per month, with a minimum of \$1.00 per horsepower per month. Schedule No. 5 is in the form of a service-plus-energy rate of \$1.00 per month per horsepower plus $1\frac{1}{2}$ cents per kilowatt hour for energy consumed for motors of less than 50 horsepower and $1\frac{1}{4}$ cents per kilowatt hour for motors of larger capacity. It is my opinion that these two rates are not of such form as to reasonably divide the cost and that any uniform surcharge would not be applicable to both. The power rates set forth in the order herein are recommended as just and reasonable rates for power service.

Other rates of applicant, including sign lighting, municipal contract street lighting and heating and cooking should continue as they now are, subject to such surcharge as ordered. This refers also to the special rate charged the Valdor Dredging Company.

The effect of the change of rates herein ordered will be to increase the annual revenue of the company approximately \$14,000.00 leaving increase in cost not so covered of \$38,600.00.

The surcharge herein authorized will add to the company's revenue \$37,500.00 per year, making the total increase slightly less than the estimated increase in operating expenses.

I recommend the following form of order:

ORDER.

Western States Gas and Electric Company having applied to the Railroad Commission for an order fixing electric rates, a hearing having been held and the matter having been submitted and being now ready for decision,

The Railroad Commission hereby finds as a fact that the rates now charged for electric service by applicant are insufficient to provide applicant with an adequate return and also do not equally divide the cost of service, and in so far as they differ from the rates herein established, the existing rates of applicant are not just and reasonable rates, and, further, that the rates herein established, together with the surcharges applicable, are just and reasonable rates and surcharges for service under conditions existing.

Basing its order on the foregoing finding of fact and upon the other findings of fact contained in the opinion which precedes this order,

It is hereby ordered that Western States Gas and Electric Company establish and file with the Railroad Commission the following rates for electric service in its Eureka Division, to be effective for all bills rendered on regular meter readings taken on and after September 20, 1918:

SCHEDULE No. 1.

Residence and Commercial Lighting Service.

ALL TERRITORY.

Rate:		Rate per K. W. H. Gross	Net
First	50 kilowatt hours, per meter, per month -----	10¢	9¢
Next	50 kilowatt hours, per meter, per month -----	9¢	8¢
Next	100 kilowatt hours, per meter, per month -----	-----	7¢
Next	300 kilowatt hours, per meter, per month -----	-----	6¢
Next	500 kilowatt hours, per meter, per month -----	-----	5¢
Next	1,000 kilowatt hours, per meter, per month -----	-----	4¢
All over	2,000 kilowatt hours, per meter, per month -----	-----	3½¢
Minimum bill, \$1.10 gross—\$1.00 net per meter, per month.			

Discount:

Net rate applies if bill is paid within ten (10) days of date of presentation.

SCHEDULE No. 2.

General Power Service.

ALL TERRITORY.

For installation of 1 horsepower to 4 horsepower:

First	25 kilowatt hours, per horsepower per month -----	6¢ per kw. hour
Next	50 kilowatt hours, per horsepower, per month -----	4¢ per kw. hour
Next	100 kilowatt hours, per horsepower, per month -----	2¢ per kw. hour
All over	175 kilowatt hours, per horsepower, per month -----	1½¢ per kw. hour

For installation of 5-19 horsepower:

First	25 kilowatt hours, per horsepower, per month -----	5¢ per kw. hour
Next	50 kilowatt hours, per horsepower, per month -----	3½¢ per kw. hour
Next	100 kilowatt hours, per horsepower, per month -----	2¢ per kw. hour
All over	175 kilowatt hours, per horsepower, per month -----	1½¢ per kw. hour

For installation of 20-39 horsepower:

First	25 kilowatt hours, per horsepower, per month -----	4½¢ per kw. hour
Next	50 kilowatt hours, per horsepower, per month -----	3¢ per kw. hour
Next	100 kilowatt hours, per horsepower, per month -----	2¢ per kw. hour
All over	175 kilowatt hours, per horsepower, per month -----	1½¢ per kw. hour

For installation of 40-74 horsepower:

First	25 kilowatt hours, per horsepower, per month -----	4¢ per kw. hour
Next	50 kilowatt hours, per horsepower, per month -----	2½¢ per kw. hour
Next	100 kilowatt hours, per horsepower, per month -----	2¢ per kw. hour
All over	175 kilowatt hours, per horsepower, per month -----	1½¢ per kw. hour

For installation over 75 horsepower:

First	25 kilowatt hours, per horsepower, per month -----	3½¢ per kw. hour
Next	50 kilowatt hours, per horsepower, per month -----	2½¢ per kw. hour
Next	100 kilowatt hours, per horsepower, per month -----	1½¢ per kw. hour
All over	175 kilowatt hours, per horsepower, per month -----	1½¢ per kw. hour
Minimum bill \$1.00 per horsepower of active connected load per month, but not less than \$1.50 per month.		

SCHEDULE NO. 3.

OPTIONAL POWER SCHEDULE.

Rate:

Service charge: Five (\$5.00) dollars per month plus \$1.00 per horsepower per month for each horsepower of active connected load 'n excess of five (5) horsepower plus.

Energy rate:

First 400 kilowatt hours per month -----	2½¢ per kw. hour
Next 1,000 kilowatt hours per month -----	2¢ per kw. hour
Next 18,000 kilowatt hours per month -----	1½¢ per kw. hour
All over 20,000 kilowatt hours per month -----	1½¢ per kw. hour

It is hereby further ordered that Western States Gas and Electric Company be and the same is hereby authorized to charge and collect in addition to the above schedules and those others designated as Schedules Nos. 2, 3, 6, 7, 10, 11 and "J" in Western States Gas and Electric Company's regular filed tariffs, the following surcharges applicable to the classes of service in amounts respectively set forth:

For energy sold for lighting service, including domestic, commercial and municipal service, 1½¢ per kilowatt hour.

For energy sold for power service, including heating and cooking, 5 mills per kilowatt hour.

For municipal street lighting service, 15 per cent of monthly bills.

For energy sold to electric railways, 2 mills per kilowatt hour.

The above surcharges shall apply on all regular meter readings taken on and after the twentieth day of September, 1918;

Provided, Western States Gas and Electric Company shall, within ten (10) days of the date of this order, file with the Railroad Commission of the state of California the rates herein fixed and a statement showing the surcharges herein authorized and the rates to which each is applicable, which statement shall constitute an amendment to the regular rate schedule, and that Western States Gas and Electric Company shall set forth on the bills rendered its consumers the surcharge herein authorized.

It is hereby further ordered that Western States Gas and Electric Company shall file with the commission on or before the twentieth day of each month a statement covering its capital expenditures, revenues and expenses for the preceding month and for the period beginning January 1, 1919, and such other information as the commission may hereafter designate.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this eighteenth day of September, 1918.

DECISION No. 5772.

ELMER F. ELLIS

vs.

CITY WATER COMPANY OF BANNING.

Case No. 1053.

A. C. DELBO ET AL.

vs.

CITY WATER COMPANY OF BANNING.

Case No. 1089.

Decided September 18, 1918.

WATER SERVICE—CONSUMERS PIPE SYSTEM—EXTENSION ORDERED—Complainants were forced to construct through a mutual corporation a pipe system and install meters before defendant would serve water. Company claims pipes and meters its property. When a utility uses a distributing system constructed at the expense of its consumers it is unfair and not in accord with its obligations. Defendant ordered to make extension and give service to complainants.

Wing & Sherrard, for Complainants.

Frank L. Miller, for Defendants.

BY THE COMMISSION.

OPINION.

The above enumerated proceedings were consolidated for hearing and decision by the consent of all parties thereto.

The complaint in Case 1053 alleges in effect: That the City Water Company of Banning, hereinafter referred to as defendant, is a public service corporation operating in the city of Banning, Riverside County, California, and delivering water to inhabitants thereof for domestic uses; that complainant, Elmer F. Ellis, is supplied with water by defendant but that the service rendered complainant Ellis by defendant is insufficient and inadequate; that defendant's water supply is at all times abundant and sufficient to supply complainant and all other inhabitants of the district served and that defendant's service to complainant is inadequate and unsatisfactory.

Defendant in its answer denies all the material allegations of the complaint and alleges that it has not refused to render adequate service to complainant; that it is willing to serve complainant through the pipe system of the East Banning Mutual Pipe Line Company, provided complainant will qualify himself to receive water through said pipe system by joining with his neighbors in its ownership.

Complainants in Case 1089 consist of twenty-three consumers of the City Water Company of Banning who are at present furnished with water through the pipe system of the East Banning Mutual Pipe Line Company.

In addition to the usual allegations of poor service it is stated that prior to the incorporation of the East Banning Mutual Pipe Line Company, complainants demanded that defendant supply them with water for domestic uses and were refused, except on the condition that complainants at their own expense install facilities for distribution of water. That because of said refusal by defendant, complainants at their expense installed the pipe system now known as the East Banning Mutual Pipe Line Company's system; that complainants were also compelled to furnish service connections and meters; that the cost of installation of the pipe system of the East Banning Mutual Pipe Line Company was about \$3,200.00; that complainants and all other stockholders of the East Banning Mutual Pipe Line Company's system now desire that defendant do not use the said pipe line system and other equipment for the delivery of water to complainants or other consumers; that complainants although they installed the above-mentioned system are compelled by defendant to pay the same rate as is charged the consumers who were not compelled to install an expensive pipe system to obtain service and that the East Banning Mutual Pipe Line Company are ready and willing to sell their pipe system to defendant. Complainants pray that this commission order defendant to furnish adequate service through its own equipment and refund to each complainant their money expended for the use and installation of the meter and service connections and for such further relief as may be just and proper.

Defendant in its answer denies all material allegations and in denial states: that it is ready and willing to furnish adequate service at its expense where it can be furnished at reasonable cost and without discrimination; that before a certain date it compelled all prospective consumers to pay a connection charge of \$15.00 and to purchase and install meters; that it would be unreasonable to defendant to require the service desired by complainants at defendant's expense; that the system of the East Banning Mutual Pipe Line Company was installed with the express understanding that it would be given to defendant when completed and paid for by water users; that it has no franchise and has not undertaken to serve the entire city of Banning with domestic water but only such consumers as it can with reasonable extensions of its own mains and through the irrigation mains of Banning Water Company, a mutual company.

In 1884 the Banning Water Company was organized as a mutual corporation for the purpose of supplying water for the irrigation of certain lands now within the corporate limits of the city of Banning.

From the beginning of its operations it supplied water for both domestic and irrigation uses to any applicant located along its pipe lines.

The City Water Company of Banning, a California corporation, was organized in 1913 to take over the public utility service of the Banning Water Company and for the purpose of selling water for domestic uses to the inhabitants of the city of Banning. It acquired from the Banning Water Company all its pipe lines, meters, and equipment used exclusively for the delivery of water for domestic uses and 120 shares of the capital stock of the Banning Water Company in consideration of the issuance by the City Water Company of shares of its stock to the stockholders of the Banning Water Company in number equal to the number of shares of Banning Water Company stock. The ownership of 120 shares of Banning Water Company stock by the City Water Company gave it the right not only to its water supply but also to carry its water through the pipe lines of Banning Water Company, delivering it to consumers wherever it saw fit. All of the outlying portions of the city are served through the mains of the Banning Water Company which delivers water for irrigation in addition to its use by the City Water Company for delivering water to domestic consumers.

In 1913 residents of what is locally known as East Banning requested defendant to extend its mains and serve that portion of the town. The defendant refused and some 48 residents or landowners formed a mutual company known as East Banning Mutual Pipe Line Company, which they caused to be incorporated, January 31, 1914. This company constructed a pipe system through which water has since been delivered by defendant.

Prior to the installation of this pipe system defendant delivered water to twelve consumers in East Banning through the mains of the Banning Water Company. The service received was admittedly inadequate.

We now find defendant delivering water through a pipe system owned and maintained by its consumers which it forced the consumers to construct at their expense. This is obviously unfair and not in accord with the obligations of a utility as established by the courts and this commission.

The owners of this system now desire that defendant discontinue its use and have provision made for adequate delivery of water. The gist of the controversy in Case 1089 is, whether or not conditions warrant the extension of defendant's mains to serve complainants. The record shows that the revenue which the company would probably derive from sales of water through such extension would be approximately \$425.00 and that the estimated cost of construction of the facilities to serve complainants if connected with the City Water Company's system on San Gorgonio avenue would be approximately \$2,500.00. It appears that this income is adequate and that the company should make this extension, especially in view of the fact that of the complainants desiring

this extension twelve were heretofore served by the company and therefore this installation is, so far as these twelve go, only an improvement upon the poor service hitherto rendered.

Complainant Ellis in Case No. 1083 is now receiving service from defendant through the mains of the Banning Water Company. The evidence is clear that this service is poor and intermittent and it is clearly the duty of the utility to improve it.

ORDER.

Public hearings having been held in the above-entitled proceedings and said proceedings having been regularly submitted and being now ready for decision,

It is hereby ordered by the Railroad Commission of the state of California that the City Water Company of Banning be and it is hereby directed to provide adequate facilities at its own expense for the delivery of water to complainants herein.

It is further ordered that within thirty days from the date of this order, City Water Company of Banning shall file with this commission for its approval, plans for this improvement and shall with due diligence proceed with the improvements upon the plans being approved by this commission.

Dated at San Francisco, California, this eighteenth day of September, 1918.

DECISION No. 5775.

IN THE MATTER OF THE APPLICATION OF EL SEGUNDO LAND AND IMPROVEMENT COMPANY AND EL SEGUNDO WATER COMPANY FOR PERMISSION TO SELL CERTAIN PROPERTY AND TO ISSUE STOCK IN PAYMENT THEREFOR.

Application No. 4004.

Decided September 18, 1918.

STOCK PURCHASE—REPRODUCTION VALUATION.—Applicants sought to accomplish the sale of a water plant by a payment of stock equal to the depreciated cost value. A valuation based on war prices when the property was built in pre-war time not considered. Sale authorized on modified basis.

Robert M. Clarke, for Applicants.

LOVELAND, *Commissioner*.

OPINION.

The El Segundo Land and Improvement Company is described herein in this proceeding as being engaged in the business of buying and selling real property particularly in the city of El Segundo, Los Angeles County, and in furnishing water for domestic, irrigation and

other uses at that place. The El Segundo Water Company has been incorporated by those in control of the El Segundo Land and Improvement Company with the intention that it should become the owner of the water system at El Segundo and that the stock of the latter corporation to be issued will be accepted by the El Segundo Land and Improvement Company in payment for the water system, excepting three shares of stock as have been issued for the qualification of directors. Application is for the issuance of nine hundred shares of capital stock of the water company of a par value of \$100.00 each, or such other amount of said capital stock as in the opinion of the commission may be a sufficient consideration.

The evidence presented by applicants as to value of the property to be transferred includes the original cost of the following items:

	Cost.	Present value.
Reservoir -----	\$12,764 00	\$6,684 00
Pipe lines -----	29,252 00	41,833 00
Main pump plant -----	4,626 00	2,510 00
Reservoir pump plant -----	8,791 00	6,418 00
Buildings and automobiles -----	2,247 00	1,564 00
Stock and supplies -----	2,046 00	2,701 00
	\$59,726 00	\$61,710 00

Applicants do not have original cost of the following items making up the remainder of the plant and state that the original cost of a portion of the pipe lines is an estimate:

	Present value.
Lands -----	\$11,000 00
329 meters and services -----	4,888 00
51 hydrants -----	608 00
	\$16,496 00

The indicated total present value is \$78,206.00.

There was attached to the application of the company an engineering estimate of the cost and cost depreciated of this property including estimated overhead and going value divided into organization expense and interest during construction. This indicated a total estimated reproduction cost of \$115,638.00 and cost depreciated \$90,000.00. The El Segundo Land and Improvement Company acquired part of the water system through purchase of stock of the Arena Water Company. This purchase and subsequent additions were made primarily for the purpose of making water available for use on lots offered for sale by applicant. The value of real estate carried as a part of the water system is approximately \$4,000.00 above that indicated by the raise of prices set forth on Exhibit No. 2, a copy of the company's Terms of Sales published June 1, 1916, and the cost as a part of the general purchase price is not over \$1,200.00.

I doubt the propriety of giving consideration in any such proceeding as this to the greatly increased cost of materials and labor due to present war conditions, particularly when the property was built before such conditions became effective. The operations of the company for the year 1916 show an earning of \$390.00 and for 1917 \$299.00. There is probability that an adjustment of the rate schedule will result in greater returns to the company, but even should the gross income of the company's water plant be doubled and the operating expenses remain the same as in 1917, the net return would amount only to \$3,991.63. Moreover, applicant's Exhibit No. 1, a map on which is shown the water system, indicates that a considerable portion of the distributing system is unnecessary in serving the present consumers.

Taking into consideration the original cost of the water system, the depreciation, the actual and possible earnings, I am unable to recommend the issue of more than \$50,000.00 of stock by El Segundo Water Company for the purpose of acquiring the water plant of the El Segundo Land and Improvement Company referred to herein.

I herewith submit the following form of order:

ORDER.

El Segundo Land and Improvement Company having made application to sell, and El Segundo Water Company to purchase, the water plant and system described herein, and the latter company having asked authority to issue stock in payment therefor, a public hearing having been held and the commission being of the opinion that the money, property or labor to be procured or paid for by the issue of stock herein authorized is reasonably required for the purpose specified in the order and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that El Segundo Land and Improvement Company be and it is hereby granted authority to sell to El Segundo Water Company the properties described in Exhibit "I" attached hereto.

It is hereby further ordered that El Segundo Water Company be and it is hereby granted authority to issue at par \$50,000.00 par value of its common capital stock for the purpose of acquiring the properties described in Exhibit "I," attached hereto, upon the following conditions and not otherwise:

(1) The consideration at which the public utility properties are herein authorized to be transferred shall not be considered as a measure of value of said properties before this commission, or any other public body, for rate-fixing or any other purpose except the transfer of said properties as herein authorized.

(2) Within thirty (30) days after the execution by the petitioners herein of an instrument of conveyance transferring the properties herein referred to, a certified copy of said instrument of conveyance shall be filed with the Railroad Commission by the El Segundo Water Company.

(3) El Segundo Water Company shall keep separate, true and accurate account of the issue of the stock herein authorized and within thirty (30) days after the transfer of the properties shall file with the Railroad Commission a report in accordance with the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(4) The authority herein granted to transfer property and issue stock shall apply only to such property as may be transferred and to such stock as may be issued on or before December 27, 1918.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this eighteenth day of September, 1918.

EXHIBIT I.

In Exhibits "D" and "E" attached to the petition in Application Number 4004, the property to be sold and transferred to EL SEGUNDO WATER COMPANY BY EL SEGUNDO LAND AND IMPROVEMENT COMPANY is described as follows:

1. That portion of Lot Three (3), in Block Ninety-five (95), of the Townsite of El Segundo, as per map thereof recorded in the office of the County Recorder of Los Angeles County, and more particularly described as follows, to-wit:

Commencing at the northeast corner of said lot, thence westerly along the northerly line of said lot 38 feet; thence southerly parallel to the easterly line of said lot 65 feet; thence easterly parallel with the northerly line of said lot to the easterly line of said lot 38 feet; thence northerly along the easterly line of said lot 65 feet; to the point of beginning, including the pumping plant on said property located.

2. All of the pipe lines laid through, over, across or upon the following described property, to-wit:

From the well or pumping plant located on Lot Three (3), in Block Ninety-five (95), of the Townsite of El Segundo above mentioned, to Maple Avenue; thence easterly along Maple Avenue to Main Street; thence from the intersection of Maple Avenue and Main Street northerly along Main Street to a point on a production of the east and west line dividing Blocks 104 and 105 of said Land Company's tract, and also from the intersection of Maple Avenue and Main Street southerly to its intersection with the prolongation of the east and west line dividing Blocks 94 and 95 of said tract; and also commencing at a point in the westerly line of Block 106 of said tract at its intersection with the east and west line dividing said block; thence easterly and across Blocks 106, 105, 104, 103 and 102, and the intervening streets upon a line parallel with Bellevue Avenue to the intersection of said line with the westerly lines of Lots 1 and 8 in said Block 102;

And commencing also at a point in the westerly line of Block 97 of said tract at its intersection with the east and west line dividing said block; thence easterly and across Blocks 97, 98, 99, 100 and 101 and the intervening streets upon a line parallel with Bellevue Avenue to the intersection of said line with the westerly lines of Lots 1 and 8 in said Block 101.

And commencing at a corner common to Lots 5, 6, 7 and 8 in Block 96 of said tract; thence easterly on a line parallel with Maple Avenue through Blocks 96, 95, 94, 93 and 92 and across the intervening streets to the easterly line of said Block 92;

"And commencing also at a point on Sheldon Street at the intersection of said street with the line last above mentioned, thence southerly along Sheldon Street to Mariposa Avenue, thence easterly along Mariposa Avenue to a point opposite the center of Lot 9 in Block 90, Sheet 6, El Segundo, thence northerly to a tank located upon said Lot 9;

TOGETHER with all rights of way and easements with said pipe lines connected or in anywise therunto appertaining.

Lots three (3), Four (4) and Five (5), Block Thirty-four (34), Sheet 7, El Segundo, in the county of Los Angeles, state of California, as per map recorded in the office of the County Recorder of the County of Los Angeles, state of California, in Book 22, Pages 54 and 55 of Maps.

Lots Twenty-one (21), Twenty-two (22), and Twenty-three (23), Block Ten (10), El Segundo, in the county of Los Angeles, state of California, as per map recorded in the office of the County Recorder of the County of Los Angeles, state of California, in Book 18, Page 69 of Maps."

"91,430 length feet of pipe fittings as follows:

3,470 feet	10-inch O.D.C., 1911.
1,400 feet	8-inch O.D.C., 13-16.
1,800 feet	6-inch O.D.C., 1911.
7,000 feet	4-inch O.D.C., 1911.
1,000 feet	4-inch O.D.C., 1915.
1,350 feet	4-inch O.D.C., 1916.
3,875 feet	6-inch RS-No. 16, 1912.
9,875 feet	4-inch RS-No. 16, 1912.
16,475 feet	4-inch RS-No. 16, 13-16.
2,075 feet	4-inch RS-No. 16, 1917.
15,410 feet	2-inch S.S., 1911.
24,275 feet	2-inch S.S., 12-16.
2,325 feet	2-inch S.S., 1917.
1,100 feet	1-inch S.S., 1911.

329 meters and services;

51 hydrants;

Pipe on hand other than that above described;

Fittings;

Meter parts and supplies;

Tools and miscellaneous equipment;

1 Ford automobile;

All of the boilers, engines, pumps, fittings, and pipes situated at the main pumping plant, and also all boilers, engines, pumps, fittings and other articles situated at the reservoir plant.

"All other equipment of any kind and nature heretofore used by said El Segundo Land & Improvement Company and Arena Water Company, a mutual water company, in furnishing and supplying water to the inhabitants and residents of the city of El Segundo, in the county of Los Angeles, state of California, all of said property being more particularly described in that certain inventory and appraisal thereof made by F. E. Trask, C. E., now on file with the said El Segundo Land & Improvement Company."

DECISION No. 5784.

IN THE MATTER OF THE APPLICATION OF BELSHAW WAREHOUSE
COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF STOCK.

Application No. 4061.

*Decided September 19, 1918.**G. E. Weaver*, for Applicant.GORDON, *Commissioner*.**OPINION.**

Belshaw Warehouse Company asks authority to issue at par \$3,000.00 of its common capital stock. It also asks the Railroad Commission to ratify the issue of three shares of its stock for the purpose of qualifying directors.

Applicant intends to use the proceeds from the sale of the stock to purchase equipment and to pay necessary expenses incidental to its warehouse business.

Belshaw Warehouse Company was incorporated August 31, 1918. It has an authorized stock issue of \$10,000.00 divided into 1,000 shares of the par value of \$10.00 each. It intends to lease from C. M. Belshaw a warehouse located at No. 142-164 Beale street, San Francisco. The warehouse at present is being operated by the South End Warehouse Company.

It is not the intention of the Belshaw Warehouse Company to offer any of its stock for sale to the general public. It proposes to operate as a closed corporation controlled by C. M. Belshaw.

I herewith submit the following form of order:

ORDER.

Belshaw Warehouse Company having applied to the Railroad Commission for authority to issue stock, a public hearing having been held and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Belshaw Warehouse Company be and it is hereby granted authority to issue \$3,030.00 par value of its common capital stock divided into 303 shares of the par value of \$10.00 per share, upon the following conditions and not otherwise:

(1) The stock herein authorized to be issued shall be sold by applicant for cash at not less than its par value, and shall be issued only when fully paid for.

(2) The proceeds obtained from the sale of the stock shall be used for the following purposes:

12 grain trucks, estimated cost-----	\$202 80
2 scales, estimated cost -----	200 00
6 Reynolds trucks, estimated cost-----	198 00
1 set of skids, estimated cost -----	12 50
2 raising boards, estimated cost -----	20 00
Tools, estimated cost -----	10 00
1 safe, estimated cost -----	300 00
Desks and stationery, estimated cost-----	200 00
Salaries and wages for one month-----	900 00
Rent -----	900 00
Total -----	\$2,943 30

(3) Within sixty (60) days after beginning operations, Belshaw Warehouse Company shall file with the Railroad Commission a verified copy of the lease under which it will operate the warehouse referred to herein.

(4) Belshaw Warehouse Company shall keep true, separate and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the stock herein authorized to be issued, and on or before the twenty-fifth day of each month, until all of said stock has been issued and the proceeds expended, the company shall make verified report to the Railroad Commission in accordance with the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(5) The authority herein granted to issue stock shall apply only to such stock as may be issued on or before December 31, 1918.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this nineteenth day of September, 1918.

DECISION No. 5792.

IN THE MATTER OF THE APPLICATION OF A. R. G. BUS COMPANY FOR
CERTIFICATE TO OPERATE STAGE SERVICE.

Application No. 3976.

IN THE MATTER OF THE APPLICATION FOR CERTIFICATE OF PUBLIC
CONVENIENCE OF INDEPENDENT AUTO SERVICE COMPANY.

Application No. 4030.

Decided September 24, 1918.

The desire of an applicant to undertake auto stage service is not sufficient if adequate service is already being given over the same route.

Arthur Wright, for A. R. G. Bus Company, Applicant.

A. L. Wissburg, for Independent Auto Service Company, Applicant.

Warren E. Libby, for Pickwick and United Stages, Protestants.

H. J. Bischoff, for United Stages, Protestant.

H. N. Dike, city attorney, for city of Imperial, Protestant.

BY THE COMMISSION.

OPINION.

A. R. G. Bus Company, a corporation, and Independent Auto Service Company, a corporation, have petitioned the Railroad Commission for orders declaring that public convenience and necessity require the operation by each of them of automobile stage lines as common carriers of passengers and baggage between the city of San Diego and the cities of Brawley and Calexico via El Centro, and serving intermediate points.

A public hearing was conducted by Examiner Encell at San Diego on September 4, 1918, the matters were duly submitted and are now ready for decision.

As the route proposed to be served by the applicants herein is identical it was stipulated by all interested parties that the applications should be heard jointly and that the testimony be considered applicable to both proceedings.

Applicants herein proposed to charge rates in accordance with schedules marked exhibit "A" and filed with the applications in this proceeding.

Applicant herein proposes to operate on a schedule of two round trips daily between Calexico and Brawley and San Diego, via El Centro in the case of the A. R. G. Bus Company and on a schedule of two round trips daily between San Diego and El Centro and on half-hourly service between the hours of 7.00 a.m. and 7.00 p.m. between El Centro and Brawley, Imperial, Holtville and Calexico in the case of the Independent Auto Service Company. Both companies propose to serve as intermediate stops the communities at Dulzura, Potrero, Camp, Warren's

Ranch, Boulevard, Jacumba, Mountain Springs, Coyote Wells, Dixieland and Seeley.

The equipment proposed to be used by the A. R. G. Bus Company consists of Twin-six Packard automobiles, that proposed to be used by the Independent Auto Service Company consists of seven-passenger capacity automobiles, eight in number, and of the following makes:

Hudson, 28 horsepower, state license No. 318276.
Willys-Knight, 27 horsepower, state license No. 348675.
Cadillac 8, 31 horsepower, state license No. 404567.
Studebaker, 36 horsepower, state license No. 47152.
Studebaker, 36 horsepower, state license No. 434892.
Willys-Overland, 29 horsepower, state license applied for.
Studebaker, 36 horsepower, state license No. 272143.
Hudson, 29 horsepower, state license No. 340636.

Witnesses for applicants testified that for the last two or three months the travel over the proposed route has been heavy and that cars have frequently been overloaded and that to care for the traffic on the route it has been necessary for drivers to make a round trip over the road resulting in drivers being on duty over the ten-hour period as specified by the Railroad Commission's regulations as being the maximum time that a driver or operator shall be required to work in any twenty-four hour period. (Rule 11, Safety Rules and Operating Regulations, Decision 4814 of Railroad Commission in Case 1110, decided November 6, 1917.)

A survey of the traffic possibilities was made by a representative of the A. R. G. Bus Company and petitions from residents of El Centro (signed by fifty-five persons) and Calexico (signed by seventy persons) which were circulated at the time of the traffic investigation were presented as evidence that the proposed service was desired by the residents of these communities. A similar petition in behalf of the Independent Auto Service Company was presented bearing the signatures of twenty-nine residents, merchants and hotel keepers of the city of San Diego.

The granting of the desired certificates was opposed by the Pickwick Stages, the United Stages and the White Star Stages. These companies operate twenty-four stages between San Diego and El Centro and approximately the same number between El Centro and local points in the Imperial Valley. Prior to May 1, 1918, each of these companies operated on independent schedules. Since May 1, 1918, a combined schedule has been effective and has been maintained by the joint operation of these three companies.

The present authorized companies protest against the granting of the desired certificates claiming that the traffic requirements over the proposed routes are now satisfactorily cared for and that if additional operators are permitted to serve over the established routes that the character of service will be impaired and the present companies will

operate under conditions that will not enable a satisfactory service to be rendered to the traveling public. Statements of traffic handled were presented as exhibits on behalf of protestants and these statements show the following data:

United Stages (when operating independently).

From San Diego to El Centro.

Month	Passenger capacity	Number trips	Passengers carried	Average number passengers to car	Number empty seats	Per cent of capacity handled
January, 1918 -----	5	87	307	4.00	128	70.5
	7	3	20	6.66	1	95
February, 1918 -----	5	55	194	3.52	81	70.5
	7	15	75	5.00	30	71.5
March, 1918 -----	5	45	161	3.57	64	71.5
	7	24	119	4.95	49	70.8
April, 1918 -----	5	34	98	2.88	72	57.5
	7	76	355	4.67	177	66.7

From El Centro to San Diego.

Month	Passenger capacity	Number trips	Passengers carried	Average number passengers to car	Number empty seats	Per cent of capacity handled
January, 1918 -----	5	86	352	4.00	78	81
	7	8	51	6.37	5	91
February, 1918 -----	5	67	285	4.25	50	85
	7	17	94	5.52	25	75.6
March, 1918 -----	5	53	234	4.41	31	88
	7	29	162	5.58	41	79.8
April, 1918 -----	5	21	84	4.00	21	80
	7	64	389	6.07	59	86.9

Pickwick Stages (when operating independently).

San Diego-El Centro Division.

Month	Total trips	Total passengers	Empty seats
January, 1918 -----	96	521	143
February, 1918 -----	78	420	118
March, 1918 -----	80	413	138
April, 1918 -----	70	304	186
Totals -----	324	1,658	585

No definite record was available covering the operation of the White Star Stages during the period January 1 to May 1, 1918, inclusive; although the former manager of the line testified that he had averaged five or six passengers in a car of seven-passenger capacity.

Since May 1, 1918, a full record is available of the travel statistics of the combined companies operating between San Diego and El Centro and an exhibit was filed by protestants which reflects the following data:

Month	San Diego to El Centro			El Centro to San Diego		
	Number of cars operated	Number of passengers carried	Number of vacant seats	Number of cars operated	Number of passengers carried	Number of vacant seats
May, 1918 -----	193	982	365	198	1,138	224
June, 1918 -----	268	891	964	285	1,856	134
July, 1918 -----	258	1,119	810	267	1,855	149
August, 1918 -----	286	1,599	405	283	1,532	491
Totals -----	1,005	4,591	2,544	1,033	6,381	998

From the above record it appears that the combined companies have operated during the months of May to August, 1918, inclusive, with an unused seating capacity of 35.6 per cent between San Diego and El Centro and an unused seating capacity of 13.5 per cent between El Centro and San Diego.

The city attorney of the city of Imperial presented a resolution passed by the board of trustees of that city, such resolution declaring that there was no public necessity for the operation of additional stage lines between San Diego and El Centro and points in the Imperial Valley and stating that the present stage lines operating are sufficient for and are caring for all traffic, that regular schedules are being maintained and sufficient equipment is operated to care for all business offering and that there is not sufficient business to justify additional stage lines. Attorneys for applicants requested that applications be amended eliminating the city of Imperial as a portion of the routes proposed to be served.

Protestants filed a letter from the mayor of the city of Calexico protesting against the granting of a certificate of public convenience and necessity to the Independent Auto Service Company and outlining the opinion that another stage line was not required and that the facilities of the existing lines were ample to meet all traffic demands and the convenience of the general public.

A witness on behalf of the protestants testified that the El Centro Chamber of Commerce had considered the matter of necessity for more stage lines over the routes sought by applicants herein and the opinion of the board of directors was unfavorable regarding additional lines being authorized.

The operating arrangements under which the Pickwick, United and White Star Stages pool their equipment and protect schedules under a common management has resulted in materially improved service

between San Diego and El Centro and points in the Imperial Valley, and the character of service now rendered is evidently approved by the officials and business men's associations of the several communities served. The general manager of the Pickwick Stages, who is responsible for the joint operation, testified that the combined companies are in position to satisfactorily handle all the traffic offered and to supply additional equipment if the requirements of the traffic necessitate same.

As the commission has frequently stated in opinions involving requests for certificates of public convenience and necessity to operate stage lines the desire of an applicant to enter the stage business is not a controlling factor in the matter of public convenience and necessity and where authorized lines are operating over a route and are satisfactorily performing the duties of a common carrier and are able and willing to provide such equipment and service as may be required by the public need, new lines will not be authorized as competitors over already established routes. The testimony in these proceedings is to the effect that such a condition exists with regard to the routes for which applicants have applied for certificates of public convenience and necessity.

After careful consideration of all the testimony in the above-entitled proceedings we are of the opinion and find as a fact that the public convenience and necessity do not require the operation by A. R. G. Bus Company and Independent Auto Service Company or either of them of automobile stage lines as common carriers of passengers and baggage between San Diego and the cities of Brawley and Calexico via El Centro, and intermediate points.

ORDER.

A. R. G. Bus Company, a corporation, and Independent Auto Service Company, a corporation, each having petitioned the Railroad Commission for an order declaring that public convenience and necessity require the operation by them of an automobile stage service as a common carrier of passengers and baggage between the city of San Diego and the cities of Brawley and Calexico via El Centro, and serving intermediate points; a public hearing having been held, the matters having been duly submitted and the commission being fully advised and basing its order on the finding of fact as appearing in the opinion which precedes this order,

It is hereby ordered that these applications be and the same hereby are denied.

Dated at San Francisco, California, this twenty-fourth day of September, 1918.

DECISION No. 5793.

IN THE MATTER OF THE APPLICATION OF CATHERINE A. BROOKS,
OWNER OF LAGUNA HEIGHTS WATER SYSTEM FOR AN ORDER
FIXING RATES FOR WATER SERVICE.

Application No. 3626.

Decided September 26, 1918.

G. H. Scott, for certain consumers.

J. Skidmore, for Applicant.

BY THE COMMISSION.

OPINION.

Catherine A. Brooks, applicant herein, asks that just and reasonable rates be established to be charged by her of her consumers for water.

Public hearing was held before Examiner Encell at Laguna Beach.

Applicant supplies water for domestic use to the inhabitants of those portions of Orange County, known as Laguna Heights, Arch Beach, Rockledge by the Sea and the unincorporated town of Laguna Beach. A more detailed description of the districts served and of applicant's plant is set out in Decision No. 3329, *In the Matter of the Application of Catherine A. Brooks*, owner of Laguna Heights Water System, for a certificate of public convenience and necessity to serve water in the town of Laguna Beach, No. 3620.

The Rate Schedule now in effect follows:

Flat rates.....	\$1.00 per month
If paid in advance.....	\$10.00 per year
Measured rates.....	\$0.10 per 100 cubic feet
Minimum.....	\$1.00 per month

Applicant estimates that the annual expense of maintaining and operating the system will be \$1,550.00 for 1918 and that the suggested rates will produce \$1,600.00. No interest on investment is asked at this time. The engineers of our hydraulic division report that in their opinion this estimate is fair. It therefore appears reasonable that the rate schedule requested by applicant, with some slight change in order that the expense be distributed more equitably among the consumers, be made effective.

ORDER.

Catherine A. Brooks, owner of the Laguna Heights Water System, having applied for an order fixing rates for water service, a public hearing having been held and the matter being now ready for decision,

It is hereby found as a fact that the rates and charges of Catherine A. Brooks, owner of Laguna Heights Water System, in so far as they differ

from the rates and charges herein established are unjust and unreasonable and that the rates and charges herein established are just and reasonable, and basing its order on the foregoing finding of fact,

It is hereby ordered that Catherine A. Brooks file with this commission the following schedule of rates, effective as of November 1, 1918.

Flat rate schedule.

Minimum annual payment	\$10 00
(Including not more than three months service.)	
For each additional month	1 00
If paid in advance for entire year	15 00

Measured rate schedule.

For each 100 cubic feet	0 15
Minimum annual payment	10 00

It is further ordered that applicant file amended rules and regulations within twenty days of the date of this order.

Dated at San Francisco, California, this twenty-sixth day of September, 1918.

DECISION No. 5817.

IN THE MATTER OF THE APPLICATION OF THE LINDSAY HOME TELEPHONE AND TELEGRAPH COMPANY FOR AN ORDER AUTHORIZING THE SALE OF SERIES B BONDS.

Application No. 3878.

Decided October 1, 1918.

C. H. Button, for Applicant.

LOVELAND, *Commissioner.*

OPINION.

The Lindsay Home Telephone and Telegraph Company asks authority to issue \$2,300.00 face value of its Series "B" 6 per cent bonds payable December 1, 1933.

Applicant submitted a statement showing assets and liabilities as of June 30, 1918, as follows:

<i>Assets.</i>	
Fixed capital	\$45,929 99
Less depreciation	8,735 76
Net fixed capital	\$37,194 23
Current assets	1,077 07
Sinking fund	390 00
Bond interest (advance)	27 00
Unamortized discount on common stock	391 94
Unamortized discount and expense on bonds	725 40
Total assets	\$39,805 64

Liabilities.

Stock outstanding-----	\$25,000 00
Bonds outstanding-----	9,800 00
Notes payable-----	1,500 00
Other current liabilities-----	1,769 55
Advance rentals-----	503 25
Surplus-----	1,232 84
Total liabilities-----	\$39,805 64

Applicant reports revenues and expenses as follows:

Item	Year ending Dec. 31, 1917	Six months ending June 30, 1918
Operating revenues-----	\$10,050 02	\$5,616 04
Operating expenses-----	6,368 06	3,733 40
Net operating revenue-----	\$3,681 96	\$1,882 64
Non-operating revenue-----	363 68	258 92
Gross income-----	\$4,045 64	\$2,141 56
Deductions:		
Rent-----	\$230 00	\$125 65
Bond interest-----	521 05	294 00
Other interest-----		37 50
Reserve for depreciation-----	1,681 80	943 71
Total deductions-----	\$2,432 85	\$1,400 86
Balance available for dividends and other purposes-----	\$1,612 79	\$740 70
Accumulated surplus beginning of period-----	1,642 30	1,242 14
Balance, plus accumulated surplus-----	\$3,255 09	\$1,982 84
Less dividends-----	\$1,500 00	\$750 00
Less amortization of discount and expense-----	512 95	
Deductions-----	\$2,012 95	\$750 00
Surplus at end of period-----	\$1,242 14	\$1,232 84

During 1917, applicant reports the average number of telephones in use at 436, while for the six months ending June 30, 1918, the average number of telephones in use is reported at 459.

Applicant proposes to sell the \$2,300.00 of bonds at not less than 93 per cent of their face value plus accrued interest and use the proceeds to pay the following indebtedness:

Note payable to Kellogg Switchboard and Supply Company for material used for plant additions-----	\$1,000 00
Note payable to Oscar Gustafson representing moneys borrowed to purchase materials for plant additions-----	500 00
Current bills accumulated for materials used for plant payable to Kellogg Switchboard and Supply Company-----	425 38
Current bills accumulated for materials used for plant payable to Western Electric Company-----	211 54
Total-----	\$2,136 92

Mr. C. H. Button, president and manager of The Lindsay Home Telephone and Telegraph Company, testified at the hearing on this application that the \$2,136.92 represents moneys expended for additions and betterments to the company's properties and that no stocks or bonds have been issued against these expenditures.

I herewith submit the following form of order:

ORDER.

The Lindsay Home Telephone and Telegraph Company having applied to the Railroad Commission for authority to issue bonds, as indicated in the foregoing opinion, a hearing having been held and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that The Lindsay Home Telephone and Telegraph Company be and it is hereby granted authority to issue at not less than 93 per cent of their face value plus accrued interest \$2,300.00 of its Series "B" 6 per cent bonds payable December 1, 1933, upon the following conditions and not otherwise:

1. The proceeds from the sale of the bonds shall be used by applicant to pay the following indebtedness:

Note payable to Kellogg Switchboard and Supply Company for material used for plant additions-----	\$1,000 00
Note payable to Oscar Gustafson representing moneys borrowed to purchase materials for plant additions-----	500 00
Current bills accumulated for materials used for plant payable to Kellogg Switchboard and Supply Company-----	425 38
Current bills accumulated for materials used for plant payable to Western Electric Company-----	211 54
Total -----	\$2,136 92

2. The Lindsay Home Telephone and Telegraph Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the issue of the bonds herein authorized, and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission, in accordance with the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted shall not become effective until The Lindsay Home Telephone and Telegraph Company has paid the fee specified in the Public Utilities Act.

4. The authority herein granted shall apply only to such bonds as may be issued on or before December 31, 1918.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this first day of October, 1918.

DECISION No. 5818.

IN THE MATTER OF THE APPLICATION OF SESPE LAND AND WATER COMPANY FOR AN ORDER AUTHORIZING IT TO CONVEY CERTAIN WATER RIGHTS AND RIGHTS OF WAY AND FOR AN APPROVAL OF AN AGREEMENT.

Application No. 3965.

IN THE MATTER OF THE APPLICATION OF SESPE LAND AND WATER COMPANY FOR AN ORDER AUTHORIZING THE SALE OF PUBLIC UTILITY PROPERTY AND APPROVING A CERTAIN AGREEMENT.

Application No. 3966.

Decided October 1, 1918.

*George E. Farrand, for Sespe Land and Water Company.
John A. Galvin, city attorney, for city of Fillmore.*

BY THE COMMISSION.

OPINION.

In Application No. 3965, Sespe Land and Water Company, hereinafter also referred to as the Sespe company, asks authority to convey to Fillmore Irrigation Company, hereinafter also referred to as the Fillmore company, certain rights of way, easements, water and water rights described in the agreement marked Exhibit No. "1" and attached to the petition in said application, and to carry out the terms and provisions of said agreement.

In Application No. 3966, Sespe Land and Water Company asks authority to sell to the city of Fillmore for \$15,000.00 the property described in the agreements marked Exhibits "A" and "B" and attached to the petition in said application.

A hearing was had on the above applications before Examiner Encell at Ventura on August 9. The applications were consolidated for hearing and decision.

Sespe Land and Water Company was organized April 22, 1886, for the purpose of buying and selling land and water. It is a public utility but does a large amount of private business.

On October 1, 1888, Sespe Land and Water Company caused to be organized the Fillmore Irrigation Company, a mutual water company, as an instrumentality and means for the distribution and sale of its

lands. From time to time, certain other properties consisting of water and water rights were transferred by the Sespe Land and Water Company to the Fillmore company and the Fillmore company transferred to the Sespe company certain shares of stock, which shares of stock were later given by the Sespe company to purchasers of land from it.

The ultimate purpose to be accomplished through the transactions referred to in these applications is to transfer to the city of Fillmore the water distributing system located within the city and thus divest Sespe Land and Water Company from its public utility functions. The first step toward this end is the exchange of certain properties between Sespe Land and Water Company and Fillmore Irrigation Company; the second, the sale of the Sespe Land and Water Company's distributing system in Fillmore to the city.

In 1917 the board of trustees of the city of Fillmore demanded the Sespe company to improve its water service. For this purpose the Sespe company and the Fillmore company entered into the agreement of December 12, 1917 (Exhibit "1," Application No. 3965). This agreement provides for the transfer by the Sespe company to the Fillmore company of 50 inches of water described in the agreement of September 13, 1892, and recorded in Book 37 of Deeds, at page 63, Ventura County Records, and certain rights of way; and for the transfer by the Fillmore company to the Sespe company all of its right, title and interest which it has in certain distributing lines, stopcocks, mains and appliances necessary to supply inhabitants of the city of Fillmore with water for domestic purposes. Upon the completion of the exchange of the properties the Sespe company agreed to improve the water distributing system.

Several months ago the voters of the city of Fillmore by a vote of 210 for and 25 against, approved the issue of \$60,000.00 of bonds for the purpose of acquiring and developing a municipal water system. The offer of the Sespe company to sell its distributing system, located within the city limits, for \$15,000.00, was accepted by the city trustees. Sespe company in Application No. 3966 asks authority to transfer these properties to the city.

ORDER.

Sespe Land and Water Company, Fillmore Irrigation Company and city of Fillmore having applied to the Railroad Commission for authority to execute certain agreements referred to herein below, relating to the exchange, sale and purchase of public utility properties; a public hearing having been held, and the commission being of the opinion that the applications herein should be granted,

It is hereby ordered that Sespe Land and Water Company and Fillmore Irrigation Company be and the same are hereby granted authority

to transfer the properties described in the agreement marked **Exhibit "1"** attached to the petition in Application No. 3965 and to perform such other acts as may be necessary to carry out the terms and conditions of said agreement.

It is hereby further ordered that Sespe Land and Water Company be and the same is hereby granted authority to transfer its properties described in the agreements marked **Exhibit "A"** and marked **Exhibit "B"** attached to the petition in Application No. 3966, and to perform such other acts as may be necessary to carry out the terms and provisions of said agreements.

The authority herein granted is upon the following conditions:

1. The authority herein granted to transfer the properties referred to shall apply only to such transfer as may be executed on or before December 31, 1918.

2. Within twenty days after the transfer of the properties herein authorized, Sespe Land and Water Company shall file with the commission a statement showing the terms and conditions under which the transfer has been effected.

3. The price for which Sespe Land and Water Company is transferring part of its properties to the city of Fillmore shall never be urged upon this commission as a measure of value of said properties for purposes other than the transfer herein authorized.

Dated at San Francisco, California, this first day of October, 1918.

DECISION No. 5823.

IN THE MATTER OF THE APPLICATION OF SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY FOR AUTHORITY TO ISSUE AND PLEDGE BONDS.

Application No. 3831.

Decided October 1, 1918.

BY THE COMMISSION.

THIRD SUPPLEMENTAL ORDER.

The Railroad Commission having by Decision No. 5502, dated June 19, 1918, as amended, authorized San Diego Consolidated Gas and Electric Company to issue at not less than 95 per cent of their face value, plus accrued interest, \$652,800.00 of 5-year 6 per cent collateral trust gold notes, payable July 1, 1923, and secure the payment of said notes by depositing with the trustee \$816,000.00 of its first mortgage 5 per cent 30-year gold bonds, payable March 1, 1939, provided that the proceeds from the sale of \$216,000.00 of said notes be deposited in a special fund

and expended only for such purposes as the Railroad Commission may hereafter authorize in a supplemental order or orders;

And San Diego Consolidated Gas and Electric Company having filed in the above-entitled matter a supplemental petition wherein it reports that from June 30, 1918, and up to September 1, 1918, its net construction expenditures have amounted to \$44,565.06 and that because of these expenditures it is entitled to issue under the terms of its deed of trust \$33,000.00 of its first mortgage bonds which will enable it to issue \$26,400.00 of its 5-year 6 per cent collateral trust notes;

And San Diego Consolidated Gas and Electric Company having asked to use the proceeds from the sale of the \$26,400.00 of notes to pay indebtedness set forth in Schedule No. 3, attached to the supplemental petition herein, and the Engineering Department of the Railroad Commission finding that applicant's construction expenditures are reasonable; now, therefore,

It is hereby ordered that San Diego Consolidated Gas and Electric Company be and it is hereby granted authority to use the proceeds from the sale of \$26,400.00 of its 5-year collateral trust 6 per cent gold notes, the issue of which was authorized by Decision No. 5502, dated June 19, 1918, to finance in part its construction expenditures since June 30, 1918, and prior to September 1, 1918, and through such financing to pay in part the indebtedness set forth in Schedule No. 3, attached to the supplemental petition herein.

It is hereby further ordered that the order in Decision No. 5502, dated June 19, 1918, as amended, shall remain in full force and effect except as modified by this third supplemental order.

Dated at San Francisco, California, this first day of October, 1918.

DECISION No. 5826.

IN THE MATTER OF THE APPLICATION OF LUMBERMEN'S EXCHANGE FOR AUTHORITY TO INCREASE WHARFAGE, STORAGE AND HANDLING CHARGES IN EFFECT ON CERTAIN WHARVES AT THE PORT OF LOS ANGELES.

Application No. 3664.

IN THE MATTER OF THE APPLICATION OF OUTER HARBOR DOCK AND WHARF COMPANY FOR AUTHORITY TO INCREASE WHARFAGE, STORAGE AND HANDLING CHARGES IN EFFECT ON ITS WHARVES AT THE PORT OF LOS ANGELES.

Application No. 3690.

IN THE MATTER OF THE APPLICATION OF PACIFIC STEAMSHIP COMPANY FOR AUTHORITY TO INCREASE CHARGES FOR HANDLING COMMODITIES OVER ITS LEASED WHARF AT WILMINGTON.

Application No. 3911.

IN THE MATTER OF THE APPLICATION OF SOUTHWESTERN WHARF COMPANY FOR AUTHORITY TO INCREASE WHARFAGE AND HANDLING CHARGES IN EFFECT ON ITS WHARF AT EAST SAN PEDRO.

Application No. 3981.

IN THE MATTER OF THE APPLICATION OF SOUTHWESTERN WHARF COMPANY FOR AUTHORITY TO INCREASE STORAGE CHARGES.

Application No. 3982.

Decided October 1, 1918.

Henry Riddiford, for Lumbermen's Exchange.

George D. Squires, for U. S. Railroad Administration (S. P. Co.).

J. E. Marshall, for Outer Harbor Dock and Wharf Company.

F. M. Barry, for Pacific Steamship Company.

E. A. Mills, for Southwestern Wharf Company.

Clyde Leach, deputy city attorney, and *Clarence H. Matson*, traffic manager, for city of Los Angeles.

GORDON, *Commissioner*.

OPINION.

Two of the applicants in this proceeding, Lumbermen's Exchange and Outer Harbor Dock and Wharf Company, filed their original petitions in April, 1918; such petitions were, however, at that time confined to a request for authority to increase by approximately 50 per cent so-called handling charges covering movements of lumber and other commodities across their respective wharves, located at the Port of Los Angeles. A hearing on said applications was held in Los Angeles on April 26, 1918, by Commissioner Edgerton; but the applicants were unwilling to proceed to a conclusion of the matter at that time owing to uncertainty as to whether applicants' competitors would ask for similar increases. The hearing was thereupon continued, to be reset upon notice that applicants were ready to proceed.

On July 5, 1918, Outer Harbor Dock and Wharf Company filed an amended application, revising its previous request affecting handling charges so as to show a proposed advance of approximately 85 per cent over present rates, in lieu of 50 per cent as carried in the original petition. The application, as amended, also included a proposed increase in wharfage rates amounting to about 25 per cent, and in storage charges an advance ranging, as to the majority of commodities handled, from 25 per cent to 75 per cent. In a few instances, still higher storage rates are sought, for the reason, as the testimony indicated, that the present rates, when established, were placed unduly low through a misapprehension as to the cost of handling certain commodities through storage. Lumbermen's Exchange joined in the request for a modification of its original application to the basis of the rates pro-

posed by Outer Harbor Dock and Wharf Company, except as to storage, in which the former is not interested.

In the mean time, applications were also filed by Pacific Steamship Company and Southwestern Wharf Company, the former seeking authority to increase handling charges only, to a basis of 85 per cent higher than its present rates, while the request of the latter agreed in all essential particulars with the amended application of Outer Harbor Dock and Wharf Company. A hearing on the applications was held in Los Angeles on August 21, 1918, at which time all parties, recognizing the similarity of location of properties involved, the conditions of service and uniformity of present and proposed rates, agreed that relevant testimony offered in one case might be used in each.

Applicant, Lumbermen's Exchange (Application 3664), is a voluntary association of local lumber companies, certain members of which, owning their own wharves for the most part, operate them in such manner as to constitute their properties public utilities, at the same time handling large amounts of lumber in a private capacity. The wharves of all said public utilities, with the exception of that operated by C. R. McCormick & Company under lease from Outer Harbor Dock and Wharf Company, are located along the main channel of what is known as the Inner Harbor. The names of the companies follow:

The L. W. Blinn Lumber Company.
The Hammond Lumber Company.
The Hammond Transportation Company.
The Kerkhoff-Cuzner Mill and Lumber Company.
C. R. McCormick & Company.
The San Pedro Lumber Company.
The E. K. Wood Lumber Company.

According to the testimony of one of this applicant's witnesses, approximately 480,000,000 feet of lumber reaches the Port of Los Angeles annually, about 50 per cent of which is sold "ship's tackle" for interstate shipment, on which applies the so-called handling charge. Said companies store no lumber or other commodities on their wharves, and are therefore not interested in storage charges; each operates under a municipal franchise and pays an annual license to the city of Los Angeles amounting to 1 per cent of the gross receipts for wharfage and handling. The city admittedly has been interested in keeping charges for service at the harbor as low as possible for the purpose of building up business; it will nevertheless be directly benefited financially by such increases, if any, as may be authorized in the accompanying order. On the other hand, applicant's members, as private lumber dealers, will be enabled to pay to themselves as public utility wharfingers such additional amounts as may be allowed by the commission for handling over their wharves lumber sold at ship's tackle, an indirect but none the less obvious increase in the price of lumber.

Inasmuch as Lumbermen's Exchange has confined its efforts to a showing that the city originally established wharfage and handling charges with a view to producing little or no profit, since which time the actual cost of such service has increased approximately 100 per cent, no attempt was made to set out detailed values of the properties involved showing segregation as to public utility features. However, the following debit and credit statement with reference to operations by San Pedro Lumber Company for the year 1917, submitted subsequent to the hearing, shows that company's method of assignment of the items treated:

<i>Debit.</i>	
Depreciation (1/20 of cost)-----	\$2,200 00
Apportioned upkeep (total repairs \$9,800.00)-----	4,400 00
City license-----	213 00
Taxes-----	420 00
Interest on investment balance, \$6,600.00 at 6 per cent-----	396 00
Insurance (not segregated)-----	
	\$7,629 00
<i>Credit.</i>	
Dockage-----	\$978 00
Wharfage-----	2,468 00
	\$3,446 00
Deficit-----	\$4,183 00

The apparently arbitrary assignment of \$4,400.00 of the \$9,800.00 expended for repairs in 1917 is supported by the testimony to the effect that nearly 50 per cent of the lumber passing over these wharves is sold ship's tackle, and subject to the handling charge. The comparatively low investment balance of \$6,600.00 is due to the fact that the twenty-year franchise held by this applicant has but three years to run, after which time the entire property and improvements revert to the city.

As previously indicated, the public utility members of said association handle lumber over their wharves almost exclusively, the greater portion being private importations by the several companies; however, a sufficient amount of public service is performed by each to entail public duties. The companies, therefore, undertake to handle over their wharves for the subsequent buyers of their private stocks all lumber sold at ship's tackle, as well as that delivered at said wharves by outside agencies.

To handle lumber under the present wage scale, effective June 1, 1918, costs, according to one witness, 93 cents per M feet as against actual revenue received amounting to 63.61 cents per M feet under the scale in effect from November 1, 1917, to March 1, 1918, a difference of 46.2 per cent. The same witness testified that during said period the revenue for handling merchandise over wharves at San Pedro amounted to 31.42 cents per ton, whereas the average cost of handling the same under the present wage scale would be no less than 89.19 cents per ton, or 184 per

cent of the total revenue per ton received. Based upon this testimony an average increase of 115 per cent in the present handling charges would be necessary to enable applicants to break even. Furthermore, during the period of test mentioned, November 1, 1917, to March 1, 1918, the scale of wages in effect was 50 cents per hour, while the entire variation since 1915 runs from $27\frac{1}{2}$ and 30 cents per hour to 65 cents on June 1, 1918. Further increases corresponding with wages paid at other Pacific ports are anticipated.

Outer Harbor Dock and Wharf Company (Application 3690), a subsidiary of Union Oil Company, owns and operates wharves and warehouses located along East and West Channels of the so-called Outer Harbor, where it handles both lumber and merchandise and also engages in a general storage business; this applicant also leases to C. R. McCormick & Company one of its wharves (1,800 feet) over which the latter handles large quantities of lumber and mining material destined for points in Arizona and Mexico. Applicant itself does not deal in lumber, but confines its activities to the operation of its public utility properties. The company stands in the same relationship to the city of Los Angeles as do the members of Lumbermen's Exchange with reference to franchises and the payment of tribute for operating privileges.

Supplementing the general testimony of its witnesses who claimed that the company lost in 1917 approximately \$43,000.00, this applicant filed several exhibits in support of its petition, in one of which (Exhibit B), as illustrative of the general situation is shown the result of handling a shipment of flour for the U. S. Food Administration Grain Corporation on the basis pay roll plus 10 per cent, wherein the cost per ton was 55.6 cents; on this commodity applicant seeks to establish a rate of 55.5 cents per ton for handling and for wharfage 6.5 cents per ton. Exhibit C showing per ton cost on certain commodities, expanded to show also present and proposed rates, follows:

Tonnage Handled and Cost Per Ton for the Year 1917.

	Tons handled	Cost of handling	Cost per ton	Present rate	Proposed rate
Nitrate	2,480.6	\$896 90	\$0 36	\$0 30	\$0 55½
General merchandise	17,772.5	5,484 70	31	32½	60
Cement	3,798.2	880 55	23	22½	41½
Wheat	8,666	3,551 95	42	30	55½
Flour	12,968.4	4,622 40	35½	30	55½
Total	45,685.7	\$15,436 50			
Overhead		11,404 54			
		\$26,841 04	58.7		
Lumber, 7,416,165 feet b. m.		\$5,128 88	or *69¢	*50¢-65¢	*92½¢-120¢
Overhead		2,031 90			
		\$7,160 78	*96½¢		

*Per thousand feet.

8—41431.

The overhead item of \$11,404.54 shown in connection with the cost of handling merchandise, though abnormally large in appearance, represents applicant's idea of allocating expenses other than the actual outlay of \$15,436.50 for handling; it includes interest, insurance, \$35.00 per day for the operation of a locomotive for switching and spotting cars on the wharf, office salaries, and a pro rata of directors' salaries. However, this becomes relatively unimportant in view of the showing that in each of the above instances, except one, the cost per ton in 1917 was higher than the present tariff rate, since which time wages have practically doubled, bringing the cost per ton to handle the same commodities after June 1, 1918, to the basis of the proposed rates, or higher.

There was considerable uncertainty among witnesses as to some of the figures and data submitted in support of this application, both as to the company's investment in public utility equipment and the proper allocation of overhead expenses, but the claimed loss of \$43,000.00, including depreciation, was not qualified, except by the statement that it did not include interest or investment, which would bring the total to about \$65,000.00.

Pacific Steamship Company (Application 3911) operates as a public wharfinger over municipal dock known as Pier A, located at Wilmington. Its relationship with the city of Los Angeles is covered by a berthing permit, under which the city retains control as to dockage and wharfage charges; so that this applicant is interested in handling charges only.

Testimony in this case, as in others, indicated an increase of 100 per cent, or more, in wages of longshoremen since the present handling charges were established in 1915. Applicant has no investment in the wharf at Wilmington and handles merchandise principally, on which it now receives 32½ cents per ton, whereas the actual cost of such handling (trucking) now ranges from 63.6 cents per ton to \$1.09. It has already been shown by other testimony that handling charges fixed by the city in 1915 approximated the actual cost of the service at that time; and since this applicant's service on the dock is confined to handling cargo to and from its vessels, the following abridged statement of Exhibit B, submitted with the application, graphically illustrates the losses incurred in the transaction:

Cost of Trucking Cargo at Wilmington.

Vessel	Date	Tons, in and out	Total cost	Cost per ton, cents	Tariff rate, per ton
Governor	4/ 2/18	1,555	\$1,068 46	68.7	\$0 32½
Governor	3/21/18	1,409	1,144 78	87.2	
President	4/ 9/18	1,654	1,052 31	63.6	
President	3/27/18	1,759	1,125 66	64.6	
Queen	4/ 1/18	1,168	969 38	82.9	
Queen	3/19/18	1,387	1,127 77	81.1	
Admiral Dewey	3/29/18	1,277	1,374 65	107.6	
Admiral Dewey	3/15/18	1,398	1,185 78	84.8	
Admiral Schley	4/ 8/18	710	641 56	90.3	
City of Topeka	4/ 5/18	577	403 11	69.8	
City of Topeka	3/31/18	485	551 18	109.5	

Statement Showing Increase in Pay for Truckers at Wilmington.

	Straight time, per hour	Overtime, per hour
Prior to August, 1915.....	30 cents	30 cents
August, 1915, to November, 1915.....	35 cents	50 cents
November, 1915, to July, 1917.....	40 cents	60 cents
July, 1917, to November, 1917.....	45 cents	65 cents
November, 1917, to June 4, 1918.....	50 cents	75 cents
Present scale—June 28, 1918.....	60 cents	90 cents
Increase	100%	200%

As will be observed, the above maximum wage for straight time at Wilmington was not so high on June 28, 1918, as at some other points at the port, but the commission was subsequently advised by applicant that another material increase in truckers' wages had gone into effect on August 25, 1918.

Southwestern Wharf Company (Applications 3981-3982), a subsidiary of the Southwestern Shipbuilding Company, owns a leasehold and easements to five acres of water front property on which its wharf and warehouses are situated. This property, formerly owned and operated by Pacific Wharf and Storage Company, is located on the east side of the main channel on Terminal Island, formerly known as East San Pedro, and consists of a timber wharf 1,350 feet in length and 85½ feet in width, corrugated iron warehouse, barn, office, tanks, railroad tracks and cargo-handling gear and equipment, the entire value of which, including \$100,000.00 for the five acres of land, is estimated at \$224,500.00.

Like other applicants in this proceeding, Southwestern Wharf Company alleges and contends that its present rates of wharfage and storage, and charges allowed for handling lumber and general merchandise over its wharf, are unremunerative and should be increased. Such contention is based very largely on applicant's showing as to wage increases which it has been necessary to grant from time to time since the present schedule was established in 1915. Other reasons for increased rates are also urged, including the additional cost of equipment and supplies, which have advanced, in most instances, 50 per cent or more, and in the case of fuel oil 100 per cent. Applicant has operated the property in question since May 1, 1918, only, and could, therefore, furnish but meager data based upon experience. The following figures show gross results of operations from May 1 to July 24, 1918:

Revenue from all sources.....	\$4,959 30
Expenses—operating, overhead, maintenance.....	5,058 42
Loss	\$99 12

Exhibit B, presented by applicant at the hearing, being practically identical with Exhibit A, filed by Outer Harbor Dock and Wharf Company, shows charges in effect for handling freight over docks in San Francisco, Seattle, Vancouver, Tacoma and Portland, in each of which ports the rates are higher for the same class of service than in the port of Los Angeles.

United States Railroad Administration (Southern Pacific Company), operating wharves at San Pedro, appeared by attorney (*amicus curiae*, and also to assist its applicant competitors), advising that whatever increased rates which might be authorized by the commission would be immediately recommended for adoption by the Federal Director of Railroads in order to equalize conditions and reduce the deficit which has been accruing to said company under the rapidly increasing cost of operating the so-called Southern Pacific wharves at the port of Los Angeles. The Los Angeles and Salt Lake Railroad was only indirectly interested, its public wharf and dock business being at present conducted by Southwestern Wharf Company.

The present rates of applicants are such as were fixed by the city of Los Angeles in Ordinance No. 32467 (new series), approved June 12, 1915, which rates were later filed with the Railroad Commission in compliance with the terms of the amended Public Utilities Act, effective August 8, 1915, and have not since been increased or otherwise altered. As to the handling charges, it is alleged by applicants and admitted by the city's representatives that the same were established almost wholly with reference to the cost of labor and not designed to produce a profit to wharfingers operating properties at the port of Los Angeles.

The evidence shows that at the time the city of Los Angeles established the rates in question, in 1915, unskilled labor was paid $27\frac{1}{2}$ cents to 30 cent per hour and skilled labor 35 cents, whereas at the present time the former receives $47\frac{1}{2}$ cents per hour and the latter 65 cents. It is, therefore, obvious that all public service now performed over applicant's wharves and based upon wages in effect in 1915 is being performed at an actual out-of-pocket loss, the measure of which is a matter of simple arithmetic.

There was ample testimony given at the hearing to establish the fact of increased rates paid for labor from time to time since 1915. For instance, the secretary of the local Longshoremen's Union testified that in 1915 two separate scales of wages were paid in San Pedro for handling commodities on the docks, one in the lumber yards, where $27\frac{1}{2}$ cents per hour was paid, and the other on the open docks, where 30 cents per hour prevailed. In 1916 wages were advanced 5 cents per hour and in 1917 two small increases were granted; in June, 1918, the present maximum

of 65 cents per hour was reached for straight time and \$1.00 for overtime. It is thus seen that wages have gone up more than 100 per cent for straight time and have more than trebled for overtime. It is the plan of these wharfingers in future, however, if their applications are granted, to charge all overtime against the vessel whose master demands service which would necessitate the employment of longshoremen at overtime rates.

Applicants admit that recent construction of both wharves and warehouses has been carried on with a view to future expansion of business and that it would not, therefore, be equitable to advance wharfage and storage charges to a high basis which might be not only unjust at the present time, but altogether unnecessary under future conditions involving capacity handling. On the other hand, it was in evidence that the proposed increase of 25 per cent in wharfage charges and an increase in storage rates, as set forth in the applications, were fully justified in the one case by the increased cost of upkeep and labor connected with the wear and tear on wharves and equipment, and in the other by advances in cost of repair material and labor of handling merchandise into and out of warehouses; and I am convinced that the proposed charges for the use of said facilities are not unreasonably high.

Although applicants were required, as usual, to publish in local papers notices of the hearing and also to notify personally, by mail or otherwise, all patrons who had conducted business with applicants within the past year, no one appeared at the hearing to protest against the proposed rates.

In view of the foregoing facts and statements, I am of the opinion that with certain modifications, as they appear in the order herein, the applications should be granted, and so recommend, it being the purpose to establish uniform charges for each class of service mentioned in so far as such service is performed by the various applicants.

I recommend the following form of order:

ORDER.

Lumbermen's Exchange, a voluntary association of lumber companies operating private wharves as public utilities, Outer Harbor Dock and Wharf Company, Pacific Steamship Company, and Southwestern Wharf Company, having applied to this commission for authority to increase charges now in effect for handling lumber and other commodities over their respective wharves at the port of Los Angeles, and also to advance storage and wharfage rates in instances where these classes of service are now performed; a public hearing having been held on said applications, the matter having been submitted and the commission being fully advised in the premises,

It is hereby found as a fact that the rates and charges, rules and regulations in effect at wharves and warehouses here involved, in so far as they are antagonistic to those herein established, are nonremunerative or unjust and unreasonable, and that the rates and charges, rules and regulations set forth herein are just and reasonable for the various services therein contemplated. No increases in dockage rates nor changes in regulations relating to dockage being here involved, although covered by some of the applications, findings of fact with reference thereto are purposely omitted, but such rates and regulations may be published and filed in connection with other schedules herein authorized.

Basing its order upon the foregoing finding of facts and upon other facts contained in the opinion preceding this order,

It is hereby ordered that Lumbermen's Exchange, Outer Harbor Dock and Wharf Company, Pacific Steamship Company, and Southwestern Wharf Company be and they are hereby authorized to publish and file within twenty (20) days from date hereof and make effective immediately after such publication and filing the following schedules of rates, including rules and regulations to cover the several classes of service indicated, the same to be effective at all warehouses and on or over all wharves operated by applicants as public utilities at the port of Los Angeles:

Schedule of Wharfage Rates and Handling Charges at the Port of Los Angeles, Including Rules and Regulations Pertaining to the Service.

RULES AND REGULATIONS.

Minimum Charge.

No single charge for wharfage shall be less than six (6) cents and no single charge for handling shall be less than nineteen (19) cents.

Maximum Charge.

Charges referred to herein represent the entire amount which may be collected for movement of freight or merchandise over wharves, except in the event of any freight being warehoused in transit, an additional amount not exceeding the handling charges scheduled herein may be collected to cover cost of such service, but in the event of said freight remaining in storage such extra handling charge shall be absorbed in the rate charged for storage.

Handling Heavy Packages.

All single packages in excess of 2,000 pounds weight or 40 cubic feet in size, may be handled by special contract at handlers' option, provided that no charge shall exceed twenty-five (25) cents for wharfage and \$2.25 for handling per ton or per 40 cubic feet.

Free Time Allowed.

Seventy-two (72) hours free time shall be allowed from the time goods are received on the wharf in which to furnish disposition and remove same; and if any commodity or merchandise for which wharfage is charged as herein provided is not moved within said free time the wharfinger shall be entitled to receive and shall collect an additional amount equal to said wharfage rates for such commodity for each twenty-four (24) hours or fraction thereof during which the commodity shall remain upon the wharf in excess of seventy-two (72) hours, except that on rough piled lumber one month's free time will be allowed as specified in schedule,

Overtime.

Charges for handling as specified herein cover the handling of merchandise during the regular eight hour day. In the event services are performed at night or on Sunday or holidays an additional amount not exceeding the actual expense involved for overtime services may be charged and collected.

Rates and Charges.

	Wharfage*	Handling*
Asphalt, in packages.....	\$0 03	\$0 41.5
Bags, burlap or jute, in packages.....	06.5	55.5
Bananas.....	12.5	1 66.5
Bark, tan, in sacks.....	12.5	1 11
Barrels, empty, each.....	.5	04
Barytes, in packages.....	03	41.5
Baskets, in bundles.....	12.5	1 66.5
Beans, in packages.....	06.5	55.5
Beet pulp, dried, in packages.....	06.5	55.5
Bone meal.....	12.5	55.5
Borax, raw, in packages.....	03	41.5
Boxes, empty.....	12.5	1 11
Bran, in packages.....	06.5	55.5
Bricks, crated and boxed, other than paving.....	06.5	55.5
Brick, loose, other than paving.....	06.5	61.5
Brick, clay, in packages.....	03	41.5
Brick, in packages.....	03	41.5
Briquettes, in bulk.....	06.5	55.5
Burlap, in packages.....	06.5	55.5
Cases or crates, empty.....	12.5	1 11
Cement, in packages.....	03	41.5
Charcoal, in sacks.....	12.5	1 11
Charcoal, when loaded direct to gondola cars.....	06.5	55.5
Clay, in packages.....	03	41.5
Coal, in bulk, when loaded direct to gondola cars.....	06.5	55.5
Cocoanut, in sacks.....	12.5	1 11
Coffee, in packages.....	06.5	55.5
Coke, in bulk.....	06.5	55.5
Cork, in sacks.....	12.5	1 11
Cornmeal, in packages.....	06.5	55.5
Cotton, in sacks.....	12.5	1 11
Cottonseed meal or cake.....	06.5	55.5
Cyanide rock.....	12.5	55.5
Drums, iron, empty, each.....	01	06
Feldspar, pulverized, in packages.....	03	41.5
Fertilizer, not otherwise specified.....	06.5	55.5
Flour, in packages.....	06.5	55.5
Food, poultry, in packages.....	06.5	55.5
Furniture, grass, reed, wicker, rattan, set up, measure of 40 cubic feet.....	12.5	46
Glass, common window.....	06.5	1 01.5
Glass, plate.....	12.5	1 20
Grain, in packages.....	06.5	55.5
Grain, in bulk.....	06.5	55.5
Grits, in packages.....	06.5	55.5
Hair, in sacks.....	12.5	1 11
Iron or steel articles, viz:		
Bolts, in packages.....	06.5	55.5
Horseshoes, in packages.....	06.5	55.5
Nails, in packages.....	06.5	55.5
Nuts, in packages.....	06.5	55.5
Rivets, in packages.....	06.5	55.5
Spikes, in packages.....	06.5	55.5
Staples, in packages.....	06.5	55.5
Washers, in packages.....	06.5	55.5

*Rates in cents per ton, unless otherwise specified.

Rates and Charges—Continued.

	Wharfage*	Handling*
Iron, steel or lead (pig, bar, sheet, angle pipes, rails and structural), loaded direct to car.....	12.5	46
Iron, scrap, direct to or from cars.....	12.5	64.5
Kapoc.....	12.5	1 66.5
Lime, in packages.....	03	41.5
Lime, nitrogen.....	12.5	55.5
Live stock (if less than six head are handled at one time, minimum charge to be for six), viz:		
Calves, each.....	03.5	04
Cattle, each.....	03.5	10
Colts, each.....	06.5	07
Horses or mules, each.....	06.5	15
Hogs or sheep, each.....	.5	04.5
Lumber and forest products, viz.:		
Box shooks, in bundles.....	12.5	92.5
Soft woods, 2 x 6 and up, including ties, per thousand feet board measure.....	12.5	92.5
Soft woods, under 2 x 6, shakes, shingles, or lath, in bundles, per thousand feet board measure.....	12.5	1 20
Hardwoods, 2 x 6 and up, including ties, or in bundles, per thousand feet board measure.....	12.5	1 20
Cedar or hardwoods, not otherwise specified, per thousand feet board measure.....	12.5	1 20
Logs, per thousand feet board measure.....	12.5	1 20
Piles and poles, per linear foot when loaded direct to cars.....	.1	.6
Piles and poles, per linear foot when piled on wharf.....	.1	.8
Veneer or panels.....	12.5	1 20
Cordwood, per cord.....	12.5	1 48
Creosoted lumber, ties and shingles, per thousand feet board measure.....	12.5	1 20
Creosoted piling, per linear foot when loaded direct to cars.....	.1	.6
Creosoted piling, per linear foot when piled on wharf.....	.1	.8
Additional charge on all lumber and forest products when rough piled on wharf, account of car shortage or unsold stock, to cover cost of picking up from wharf, and one month's storage thereon per thousand feet b. m.....		35
Maize, or milo.....	06.5	55.5
Manganese ore, in packages.....	03	41.5
Marble slab, not otherwise specified.....	12.5	1 66.5
Marble slab, crated, and weighing not more than 1,200 pounds or not more than 6 feet in length.....	12.5	60
Merchandise, in carboys.....	12.5	1 11
Merchandise, not otherwise specified.....	12.5	60
Mill feed, in packages.....	06.5	55.5
Nitrate of soda or lime.....	12.5	55.5
Oil, in bulk, by pipe line, per barrel of 42 gallons.....	.5	†
Onions, in packages.....	06.5	55.5
Paint, dry mineral, in packages.....	03	41.5
Paper, roofing, in rolls.....	12.5	55.5
Peanuts, in bags.....	12.5	92.5
Peas, in packages.....	06.5	55.5
Phosphate rock.....	12.5	55.5
Plaster, in packages.....	03	41.5
Potatoes, in packages.....	06.5	55.5
Pumice, in packages.....	03	41.5
Rice, in packages.....	06.5	55.5
Rock.....	03	41.5
Salt, in packages.....	06.5	55.5
Sand, in packages.....	03	41.5

*Rates in cents per ton, unless otherwise specified.

†No handling.

Rates and Charges—Continued.

	Wharfage*	Handling*
Silica, in packages.....	03	41.5
Soapstone, in packages.....	03	41.5
Sugar, in packages.....	06.5	55.5
Sulphate of potash.....	12.5	55.5
Superphosphates.....	12.5	55.5
Talc, in packages.....	03	41.5
Vehicles, 2, 3, and 4-wheel, motor or team, delivered at wharf set up, 1,000 pounds and under, each.....	66.5	83
Vehicles, 4-wheeled, motor or team, delivered at wharf set up, 4,000 pounds and under, each.....	12.5	1 66.5
Vehicles, 4-wheeled, motor or team, delivered at wharf set up, over 4,000 pounds, each.....	31	1 85
Vehicles, 4-wheeled, motor or team, loaded in cars and blocked, 4,000 pounds and under, each.....	12.5	3 51.5
Vehicles, 4-wheeled, motor or team, loaded in cars and blocked, over 4,000 pounds, each.....	31	4 16
Wheat, in packages.....	06.5	55.5
Wool, in sacks.....	12.5	1 11
Water, delivered to vessels, per thousand gallons.....	06.5	†

*Rates in cents per ton, unless otherwise specified.

†No handling.

Schedule of Storage Rates at the Port of Los Angeles Including Rules and Regulations Pertaining to the Service.

RULES AND REGULATIONS.

When Storage Begins.

Storage charges shall begin on the date of the receipt of the first package of any lot in the warehouse.

Service Included in Rates.

The first month's rates cover storage for the first calendar month and include cost of handling into storage. Each succeeding month's rates include storage only, the charge to be computed on balances in storage on the first day of each month.

Charges for Loading Cars.

Charge for loading cars shall be the difference between first month's rates and rates for succeeding months.

Charges for Special Service.

Labor furnished for special purposes or services of any description, not otherwise provided for, shall be charged for at the rate of seventy-five (75) cents per hour per man.

Charges Payable—When.

All charges for storage are due and payable when they accrue.

Meaning of Term "Ton."

The term "ton" as used in this schedule means 2,000 pounds or forty (40) cubic feet, whichever method of computation produces the greater revenue.

Insurance Included.

Rates specified herein include insurance.

Removal Within Thirty Days.

Warehouseman reserves the right to require the removal of all goods on thirty days' notice.

Liability Assumed.

Warehouseman does not assume liability for loss, damage or decay to merchandise due to imperfect conditions of packages, or to inherent vice of the goods, or to causes beyond its control, including acts of God, fire, floods, accident, labor disturbances, impediments in transportation and demands or acts of the Government.

Storage Rates.

	First month or fraction thereof*	Each succeeding month or fraction thereof*
Beans	\$0 50	\$0 20
Bran, meal, mill-run	50	20
Canned goods	60	20
Coal	65	10
Coke	1 45	15
Flour	65	25
Grain, including barley, corn, oats and wheat	42½	15
Merchandise, not otherwise specified	60	20
Pig iron	55	05
Poultry food, in bags, including ground shells	42½	15
Sugar	50	20
For rental of space without handling or other service, per square foot per month	07½	-----

*Rates in cents per ton.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this first day of October, 1918.

DECISION No. 5827.

ELIZA GRAHAM

vs.

OCEAN SHORE LAND COMPANY.

Case No. 1255

Decided October 1, 1918.

A water utility that does not charge any rate for its service, and receives no remuneration, is not a public utility within the jurisdiction of the State Railroad Commission.

BY THE COMMISSION.

OPINION.

The complaint in this proceeding alleges that the complainant is the owner of certain lots of land situated in the county of San Mateo, state of California, on which land is a residence which, for the last two years, has been occupied and to which water has been supplied from a water system owned and operated by defendant, Ocean Shore Land Company. The complaint alleges, however, that at all times the defendant has

declined to make any charge for the service rendered in delivering water, and complainant asks that the commission require the defendant to furnish a more adequate supply of water and that the commission fix a reasonable rate therefor.

The answer of the Ocean Shore Land Company denies the jurisdiction of the Railroad Commission upon the ground that it affirmatively appears from the complaint that defendant has never made any charge for the water supplied by it, and accordingly is not a public utility, subject to the jurisdiction of the Railroad Commission.

In our opinion, the legislature has vested the Railroad Commission with no authority over companies supplying water without charge, and that accordingly the complaint should be dismissed.

ORDER.

It appearing to the commission that it has no jurisdiction to grant the relief prayed for in the complaint in the present proceeding.

It is hereby ordered that the complaint herein be and the same hereby is dismissed.

Dated at San Francisco, California, this first day of October, 1918.

DECISION No. 5828.

IN THE MATTER OF THE APPLICATION OF MITCHELL AUTO STAGE COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE TO OPERATE BAGGAGE SERVICE.

Application No. 4008.

Decided October 1, 1918.

When an auto carrier gives inadequate and unsatisfactory service, the proper remedy is to complain to the Railroad Commission, which will require proper service, or additional service by a competing line.

J. W. Hocker, for Applicant.

Arthur Wright, for A. R. G. Bus Company, Protestant.

H. J. Bischoff and *Warren E. Libby*, for Pickwick Stages and United Stages, Protestants.

W. H. Powell, for White Bus Line.

L. A. Lewis, for Valley Stage Line and Crown Stages.

C. C. O'Connell, for Southern California Stage Company.

LOVELAND, Commissioner.

OPINION.

Mitchell Auto Stage Company, a corporation, has petitioned the Railroad Commission for an order declaring that public convenience and necessity require the operation by it of an automobile stage line as a common carrier of passengers and baggage between Los Angeles and San Diego and intermediate points.

A public hearing was held at Los Angeles on September 10, 1918, the matter was duly submitted and is now ready for decision.

Applicants propose to charge rates in accordance with a schedule marked Exhibit "A" and filed with the application in this proceeding, and to operate on a schedule of three round trips daily, serving as intermediate points the communities at Santa Ana, San Juan Capistrano and Oceanside.

The equipment proposed to be used in this service consists of ten Twin-six Packard automobiles, each having a seating capacity of eight passengers, designated by manufacturer's motor number as follows: 130517; 84946; 125880; 131635; 125588; 87586; 130938; 131285; and 131889. Additional equipment is to be supplied to meet the demands of traffic.

The route over which applicant proposes to operate from Los Angeles to San Diego is via East Fourth street to Stephenson avenue, Stephenson avenue to Telegraph road, Telegraph road to Norwalk, through Artesia, Garden Grove, Santa Ana, Tustin, Capistrano, Oceanside, Del Mar, and La Jolla to San Diego.

Applicants allege that the present automobile stage service between Los Angeles and San Diego is inadequate and that a sufficient number of cars are not operated by the present authorized companies to accommodate the traffic which is offered and that the service offered by the existing lines is in a demoralized condition and that the railroad and steamship lines offer inadequate facilities for the reason that they are congested in caring for special government service.

Witnesses for applicant testified that inadequate service was being furnished by the established lines, particularly as regards traffic originating at the San Diego terminal, that cars had been overloaded beyond the seating capacity, that drivers had been compelled to work beyond the number of hours authorized by the Railroad Commission to handle the traffic, and that cars were being operated without city licenses and indemnity bonds as required by city ordinances. One witness testified that he had turned over to the San Diego office of the A. R. G. Bus Company an average of ten passengers daily during the past three months which the A. R. G. Bus Company were unable to handle. A ticket clerk, formerly employed by the A. R. G. Bus Company at its office at Fifth and F streets, San Diego, testified that during the period from August 1 to 22, 1918, inclusive, over three hundred passengers were refused transportation by reason of insufficient cars. A statement was filed as an exhibit indicating that forty-two tickets sold by the agent of the Pickwick and United Stages at Oceanside were canceled for the reason that there were no vacant seats on the stages passing through Oceanside.

The granting of the desired certificate is opposed by the A. R. G. Bus Company, the United Stages, the Pickwick Stages and the Southern California Stages, all of whom are operating over the route herein sought by applicants. Protestants claim that they are able and willing to provide all equipment and service that is desired by the public and that while some business has offered on Saturdays and Sundays that could not be handled, that the business on these rush days does not justify the investment in equipment which could not be profitably used during the remaining days of the week. The large number of soldiers stationed at Camp Kearny, near San Diego, has been responsible for a considerable increase in the stage travel on the route between Los Angeles and San Diego, and the evidence indicates that on Saturdays and Sundays practically 50 per cent of the business is that furnished by the soldier travel. On other days the soldiers contribute about 20 per cent of the travel and it is estimated that an additional 25 per cent is furnished by friends or acquaintances of soldiers who patronize the stages. It appears that practically 45 per cent of the normal business of the stage lines operating between Los Angeles and San Diego is directly attributable to the military encampment maintained at Camp Kearny.

The A. R. G. Bus Company operates via the coast route and at present is operating a total of thirteen cars, having increased its equipment from ten cars, which were formerly assigned to the Los Angeles-San Diego run. On August 15, 1918, seven cars which were leased by the A. R. G. Bus Company were withdrawn from the run by the lessors, some of whom are stockholders in the Mitchell Auto Stage Company, and it was some three weeks before the necessary arrangements could be made to supply other cars to bring up the service to the standard. At the time of the hearing, the A. R. G. Bus Company had applications under consideration by the board of public utilities of the city of Los Angeles for five additional licenses to cover cars proposed to be placed on this route. A statement of traffic handled by the A. R. G. Bus Company for the period from March 1 to August 31, 1918, inclusive, shows that 2,216 trips were made carrying 15,514 passengers. The seating capacity of the cars totaled 17,738, indicating an unused seating capacity of 2,224 or 12.54 per cent. The president of the A. R. G. Bus Company stated that if additional equipment is necessary for the demands of the traveling public between Los Angeles and San Diego that his company is in position to supply such equipment.

The Pickwick Stages operate over two routes between Los Angeles and San Diego, one via the coast route on which fourteen cars are operated, the other via the inland route on which four cars are operated.

The United Stages operate over the coast route, using twelve cars. The Pickwick and United Stages are operating a joint schedule and a record filed as an exhibit indicates the following traffic to have been handled:

Date	Number cars operated	Number seats available	Number passengers handled	Number seats unoccupied	Average passengers per car
May 15 to May 31, inclusive.....	184	1,472	1,113	359	6.04
June, 1918	659	5,273	4,342	930	6.59
July, 1918	1,017	8,136	6,859	1,277	6.74
August, 1918	1,011	8,726	6,689	1,374	6.61
Totals.....	2,871	23,607	19,003	3,940	6.62

Representatives of both the United and Pickwick Stages testified that their respective companies were able and willing to increase the equipment operated if the traffic demanded additional cars, the United Stages having applied for licenses for four additional cars to be placed on the San Diego run, and the Pickwick Stages having applied for licenses for two additional cars, such applications having been made to the board of public utilities of the city of Los Angeles and no action having been taken on such applications up to the date of the hearing on this proceeding.

The Southern California Stages operate two cars between Los Angeles and San Diego via the coast route. No statistics were presented as to the traffic handled by this company.

The traffic handled by the stage lines operating between Los Angeles and San Diego has materially increased by reason of the large number of soldiers stationed at the cantonment at Camp Kearny and also by reason of the advance in rates on the line of The Atchison, Topeka and Santa Fe Railway. The traveling public recognize the advantages of stage service and during favorable weather, and especially when a lower rate is offered, seem inclined to patronize the stages rather than the railroad trains. The stage companies appearing as protestants are all operating under the jurisdiction of the Railroad Commission as common carriers, having been in operation prior to May 1, 1917, which was the date that operation was recognized by the legislature as not requiring a certificate of public convenience and necessity from the Railroad Commission nor permits from the governing bodies of all political subdivisions through which the routes operated. The operating companies in connection with their duties as common carriers must meet the requirements of the public by furnishing adequate equipment and furnishing transportation to all who may apply therefor, and while the testimony indicates that applications have been made for the licensing of additional equipment to the board of public utilities of the city of

Los Angeles that additional cars might be operated on the Los Angeles-San Diego run, such applications not having been acted upon as of the date of the hearing on this proceeding, the detail of securing licenses, bonds, etc., as may be required by local ordinances should be cared for sufficiently in advance to enable the operating companies to give the public the service to which it is entitled and for which the companies hold themselves out under their obligation as a common carrier.

I am not of the opinion that an additional company is needed to satisfactorily serve the demands of the traveling public desiring automobile stage transportation between Los Angeles and San Diego, as the testimony clearly indicates that the present authorized lines are in position to add such equipment as may be necessary to satisfactorily care for the public need. As has frequently been stated in opinions of the commission dealing with applications for certificates of public convenience and necessity for the operation of stage lines, the desire of the applicants to enter the business is in nowise controlling as evidence of public convenience and necessity, as where authorized lines exist having the financial ability to expand service and add equipment to care for the public demand, such established companies will be required to give the service to which they are committed by their obligation as a common carrier operating under the jurisdiction of the Railroad Commission. If satisfactory service is not being given by an established line or lines the remedy lies in a complaint to this commission that proper or adequate service is not being rendered, the commission will then require that proper service be given or authorize additional service which may be given by competing lines. In this matter, however, it has been clearly shown that the existing authorized lines possess ample facilities to increase the equipment necessary to give proper service, and it has not been shown that the granting of the desired certificate is justified.

After careful consideration of all the evidence in this proceeding, I am of the opinion and find as a fact that the public convenience and necessity does not require the operation by applicant herein of an automobile stage line as a common carrier of passengers and baggage between Los Angeles and San Diego, and I recommend that the application be denied.

Herewith the following form of order:

ORDER.

A public hearing having been held in the above-entitled proceeding, the matter having been duly submitted and the commission being fully advised and basing its order on the finding of fact as set forth in the opinion which precedes this order,

It is hereby ordered that this application be and the same hereby is denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this first day of October, 1918.

DECISION No. 5829.

J. W. FRAZER AND C. L. GOETZ

vs.

STANFORD WATER COMPANY, FRANK M. OSTRANDER, O. C. STINE
& COMPANY.

Case No. 1209.

Decided October 1, 1918.

Respondent mutual water company, by selling water to those who do not own or hold its stock, has become a public utility within the meaning of chapter 80, laws of 1913, and is subject to regulation and control by the Railroad Commission.

F. G. Hoge, for Complainants.

John R. Selby, of *Corbett & Selby*, for Stanford Water Company.

BY THE COMMISSION.

OPINION.

The complaint alleges that defendant, Stanford Water Company, seeks to collect exorbitant charges for irrigation and domestic water served to complainants on their properties near Mayfield, Santa Clara County; that land was purchased from the other defendants upon an agreement that adequate water plant would be provided to furnish water at a rate of \$3.00 per acre per year for irrigation purposes, the purchasers to receive one share of water stock for each acre of land purchased, and that the plant would be turned over to purchasers to operate when sufficient land had been sold and purchasers were numerous enough to justify the expense to holders of small tracts, but that no stock has been issued, that defendants have been serving other persons than purchasers of land or water stock; and that sufficient water has not been supplied to complainants. The prayer is that water be restricted to land purchasers and that an adequate supply be provided at reasonable rates.

Defendant, Stanford Water Company, by its answer, denies most of these allegations, alleges that it is a mutual water company organized solely for the purpose of delivering water to its stockholders or members at cost; that it never sold water to any but stockholders, never on a rate basis, and that there is no provision in its articles of incorporation or by-laws by which a rate can be fixed. It also filed a motion

to dismiss the complaint for lack of jurisdiction in the commission to entertain it, based upon the above grounds.

Two public hearings were held in the case by Examiner Westover at Palo Alto. The testimony developed that the principal ground of complaint is poor service, consumers being frequently entirely without water.

Defendants Ostrander and Stine & Co. were not served and are not before the commission. Subsequent reference herein to defendant will refer to Stanford Water Company.

Defendant Stanford Water Company is incorporated with a capital stock of \$1,500 shares of the par value of \$1.00 each "for the purpose solely of delivering water to its stockholders or members at cost and to that end * * * to engage generally in business as a mutual water company." Its stock was to be made appurtenant to 1,500 acres of land, in the ratio of one share per acre, but the original plans were changed and the tract to be irrigated reduced to about 270 acres, and all but 270 shares of stock returned to the water company's treasury and canceled, leaving outstanding 268 shares issued to defendant Ostrander, then owner of the land, and made appurtenant to all but two parcels of land in the tract, one share each being issued to O. C. Stine and W. F. Sandercock, to qualify them as directors, and made appurtenant respectively to lots 57 and 58, which contain 1.11 and 1.26 acres each.

The pleadings and testimony show that all parties in interest expected the water plant and system to be turned over to the land purchasers for operation as a mutual water company. This has not yet been done. The plant is operated by said defendant.

Complainant Frazer purchased three parcels of land of which he is in possession under installment contract, which provides, among other things, for the payment for water furnished, of charges in proportion to the number of shares of stock of defendant "to which the purchaser shall hereafter become entitled * * * , or proportionate to the acreage of the said land as the case may be." Under his contract, he will be entitled to stock when his land is fully paid for.

Complainant Goetz has deeded to three parcels of land which he paid for. He also holds his original purchase contract, covering one of said parcels. It is made subject to earlier contract between defendant and Spokane-Stanford Water Company, providing that defendant would construct and operate the plant and supply water at cost, unpaid water bills to constitute liens on the lands served. A dispute exists between the parties as to whether he is entitled to his water shares. Said contract was subsequently canceled, and defendant Ostrander subsequently acquired title to the lands in question. It was stated at the

hearing, on behalf of defendant water company, that it would not issue stock to Mr. Goetz. The question of the rights of the parties to stock is not before the commission, no testimony on this point was presented, and it will not be passed upon.

No stock has been issued to either complainant or to any land purchaser, but only to the three directors of defendant. Defendant water company is not a party to any of the land purchase contracts.

The amended by-laws of defendant describe the lands to which its stock is appurtenant. However, water has regularly been served upon lands owned by Messrs. Olsen, Dudfield and Lungren, and which are not described in the by-laws.

No charge for any water served to any person or persons owning lands within or beyond the area described in the articles had been made by the water company until bills were sent to various consumers for domestic and irrigation service for various periods beginning July 1, 1917. The bills for domestic service are at the flat rate of 50 cents per month; and for irrigation service usually at the rate of 16 cents per hour for service through a 4-inch hydrant, regardless of pressure. The testimony shows that the charge for irrigation service was based on cost of operation of the plant for a fixed period. The basis for the apparent flat rate for domestic service was not known and could not be shown by the testimony. The company has not succeeded in collecting certain bills for service rendered, largely owing to disputes as to the amount of bills when finally rendered. Several of the bills for domestic service only, are admittedly satisfactory, but remain unpaid.

From the above facts, we find that defendant Stanford Water Company, by selling water to those who do not own or hold its stock, has become a public utility within the meaning of chapter 80, laws of 1913, and subject to the regulation and control of the Railroad Commission, and should at once file its rates, rules and regulations with the commission.

It appears from the testimony that defendant does not provide sufficient water for the needs of its present consumers, but that the supply can be greatly augmented by reasonable rules and regulations tending to conserve the amount of water now developed and by taking proper steps to further develop its water supply. These features will be covered by the present order, leaving the matter of fixing just and reasonable rates to be covered by a supplemental order herein.

The system derives its water from the gravels that underlie the Santa Clara Valley. Owing to the recent extreme drought, the water level has been lowered so rapidly and the available water supply diminished to such an extent that in order to obtain water it has been found necessary to lower the pumps in wells that have heretofore yielded an

abundant supply. Defendant should lower its pump, which is approximately twenty-two feet above the water surface, in order to procure efficient operation.

Only a few of the irrigation hydrants are locked and there are no meters on the system. These conditions, and the existing unmeasured rate, encourage a wasteful use of water in both field and garden irrigation, and very seriously affect the quantity available for domestic purposes.

As the matter of improving the service and developing and conserving an adequate supply of water, will depend very largely upon the co-operation of the consumers and those managing the plant and system, it is urgently recommended that all consumers actively aid by carefully conserving water; and that the company and its patrons promptly adjust any disputes as to bills for water heretofore served; and that the bills so adjusted be promptly paid to the company to enable it to make the necessary improvements.

ORDER.

Public hearing having been held upon the issues raised by the pleadings herein, testimony having been submitted and the commission being now fully advised,

It is hereby ordered that defendant Stanford Water Company within ten days file its rates, rules and regulations governing the service of water through its system, and providing for keeping hydrants locked except when their use is authorized by the company.

It is further ordered that defendant within ten days file plans or program of improvements and proceed to lower its pump and suction pipe to the bottom of the concrete pit, and provide means to determine the amount of water delivered at different points and now charged for by hydrant run.

Dated at San Francisco, California, this first day of October, 1918.

DECISION No. 5830.

IN THE MATTER OF THE APPLICATION OF CROWN WATER COMPANY
FOR AN ORDER FIXING METER RATES.

Application No. 3538.

Decided October 1, 1918.

G. E. Campbell, for Applicant.

BY THE COMMISSION.

OPINION.

This is an application by the Crown Water Company for an order establishing a measured rate schedule and certain rules and regula-

tions. The application alleges in effect that the applicant is delivering water for domestic and irrigation purposes in and in the vicinity of Perry, Los Angeles County; that applicant is a corporation organized under the laws of the state of California; that the present method of charging for water by flat rates encourages waste and works for poor service. Applicant asks that a measured rate schedule be established.

The present rate schedule in effect is \$1.25 per month per consumer for domestic service and \$2.00 per hour's operation of pump for irrigation service. Applicant asks that the following rate schedule be established:

300 cubic feet or less.....	\$1.00 per month
Excess.....	10 cents per 100 cubic feet

A public hearing was held in this proceeding by Examiner Encell in Los Angeles, California.

The flat rates now in effect were established by this commission in Decision No. 3889, "In the Matter of the Application of Crown Water Company for an order authorizing an increase in water rates," No. 2345, reported in Vol 11, Opinions and Orders of the Railroad Commission, at page 1004. Reference is made to the above-mentioned decision for description of the system, territory served and general service conditions.

A number of informal complaints have been filed by this company's consumers alleging that service is inadequate and that the utility is not exercising reasonable diligence in enlargements, betterments and operation.

It is primarily the duty of utilities to deliver a sufficient supply of water to meet the needs of its consumers and maintain good service. Consumers should not pay more to the utility than the service is reasonably worth and we recommend that this company improve its service in order that the charge which it now seeks to have established herein, be commensurate with the service rendered.

Applicant asks that a rule be established permitting it to require of consumers a deposit of \$10.00 for each meter installed and that meters be installed at its option; the amount deposited to be returned to the user when service is discontinued. While we realize that applicant's financial condition is poor and that it is without funds with which to buy the meters required, the above rule is contrary to the decisions and practices of this commission. We shall, however, permit applicant to establish a rule whereby the consumer will deposit the cost of the meter, which deposit is to be credited on water bills.

The rate schedule which applicant seeks to have established will not yield a gross revenue in excess of the annual charges established in Decision No. 3889. The elimination of the rule permitting applicant

to demand a deposit for installation of meters will entail an expense which applicant did not foresee when this application was filed and in our opinion the rate schedule requested does not equitably distribute the burden. We are, therefore, establishing a rate schedule which will more equitably distribute the burden and produce a revenue at least equal to that which would be produced by the rate schedule suggested by applicant.

ORDER.

The Crown Water Company having made application to this commission for an order fixing meter rates, and a public hearing having been held, the matter having been submitted and being now ready for decision,

It is hereby found as a fact that the measured rate schedule herein established is fair and reasonable and basing its order upon the foregoing findings of fact,

It is hereby ordered that Crown Water Company be and it is hereby authorized and directed to file with this commission and put into effect the following measured rate schedule:

400 cubic feet or less-----	\$1.00 per month
Excess-----	15 cents per 100 cubic feet per month

It is further ordered that Crown Water Company file amended rules and regulations within twenty days from the date of this order which shall include a rule providing for a deposit to cover the cost of installation of meters and the application of the amount deposited on water bills.

Dated at San Francisco, California, this first day of October, 1918.

DECISION No. 5832.

THOS. AULD ET AL.

vs.

BERNARD H. STEFFEN.

Case No. 1262.

Decided October 3, 1918.

A public utility water system must deal courteously with its consumers and use its best endeavors to obtain co-operation; arbitrary methods must cease.

*Lon Bond & Deirup & Deirup and Sam'l J. Nunn, for Complainants.
Bernard H. Steffen, in propria persona.*

BY THE COMMISSION.

OPINION.

This is a proceeding brought by forty-nine consumers of water for domestic purposes against Bernard H. Steffen, who owns and operates a water system known as Chico Vecino Water Company.

The complaint alleges in effect, that defendant owns and operates a public utility water system, doing business under the name and style of Chico Vecino Water Company, selling water to the inhabitants of a district adjoining the city of Chico, known as Chico Vecino; that service rendered by defendant is inadequate and insufficient in that defendant delivers an insufficient supply of water to meet the needs of his consumers; that the facilities for service have not sufficient capacity and that by reason of the inadequacy, service is intermittent, and prays that the commission investigate and direct defendant to install adequate facilities.

No answer was filed but defendant at the hearing made an oral answer under oath, admitting the poor service but denying the reasons therefor alleged in the complaint.

A public hearing was held by Examiner Westover at Chico.

Water is obtained from three shallow wells located in different portions of the district served. Water is lifted from these wells into storage tanks and thence distributed throughout the district in iron and steel pipes to some 260 consumers.

Defendant admits that service has been intermittent which, he claims, is due to excessive use and waste of water by the consumers and the partial failure of his water supply because of the extreme drought which has affected the water supply of the entire state and in his opinion there is sufficient water available for his consumers if no water is wasted by them. He has, however, constructed a new well which he now reports is yielding a large quantity of water. This, in his opinion, will be sufficient to furnish all the water desired by consumers even though the use is excessive. Defendant claims that his consumers have intentionally permitted taps to remain open, thus wasting water and preventing other consumers not so favorably located from receiving an adequate supply.

Testimony of the various consumers shows that service has been very poor and intermittent and that defendant has been very careless in his methods of operation and discontinued pumping at times when there was need of water. It also appears from the evidence that defendant has been very arbitrary in his dealings with his consumers which caused much ill feeling and undoubtedly is one reason for the claimed excessive use by consumers. We desire to impress upon defendant that an operator of a public utility water system must deal courteously with his consumers and use his best endeavor to obtain co-operation. These arbitrary methods must cease and steps be taken to improve service.

Water pressure has heretofore been so low that when consumers were irrigating lawns it was impossible to obtain water from taps within the houses. This, in our opinion, is due to the fact that the tanks are at an

elevation of only 40 feet above the district served, which elevation is insufficient to produce pressure, necessary to force a sufficient quantity of water through the mains to supply the draft. The engineers of our hydraulic division report that upon the day of their investigation, the pressure was approximately 20 pounds and consumers stated that service was exceptionally good. This was due to the fact that water was being used from one tank at an elevation of 80 feet above the district served. Defendant states that the valve connecting this tank with the system was inadvertently left open, thus causing the improved service. From this, it is obvious, that if the remaining tanks were raised to the same elevation as the one above referred to, service would be much improved and satisfactory pressure obtained.

The so-called Bidwell plant which past operations show has a plentiful supply of water is now operated irregularly. It is started by employees and continues in operation until the tank is filled at which time it automatically shuts off. With the present equipment, dependence is placed upon employees arriving at the plant at the time when the supply is exhausted to start the pump. This is very uncertain and in order to make this supply continuous an automatic cut-in should be installed making the operation of this pump entirely automatic.

Defendant, sometime since, leased what is known as the McFeely plant and pipe system and supplied consumers from that plant. This plant was leased without the authority of this commission. The McFeely Nursery, the largest consumer supplied from that plant, uses large quantities of water and seriously interferes with the supply received by the consumers. In view of the present water shortage, arrangements should be made that this large consumer irrigate at periods of the day other than those of maximum draft by domestic consumers. This will lessen the peak load and work for improved service.

Water has heretofore been and is now being delivered largely under a flat rate schedule of rates which invites waste of water by consumers and is uneconomic. Large unregulated demands and careless use of water causes a large variation in consumption and a large peak load, thus making for poor and intermittent service. This is, undoubtedly, one of the principal causes of the present poor service. Extensive investigation throughout the state discloses that poor service frequently goes hand in hand with the delivery of water under flat rates. We believe that the only equitable method of distributing water and charge therefor is by a metered system, under which each consumer pays for the quantity of water received, thus giving him an inducement to conserve.

Complainants claim that the quantity of water available for distribution is insufficient to meet their needs. The evidence discloses that the

company has been delivering approximately 425,000 gallons a day or 400 gallons per capita which experience in similar localities shows is more than sufficient to meet the needs of the consumers. Apparently poor service has been due to a demand for large quantities of water within short periods, lack of sufficient pressure to force water into the houses when lawns and gardens are being irrigated and failure of defendant or his employees to put pumping plants in operation when the available water supply in the tanks becomes low.

Under the flat rates now in effect large quantities of water are wasted by some consumers, which waste seriously affects the service of all consumers. Those wasting water are working injury to their neighbors rather than to the water company. Care should be exercised by all consumers to eliminate waste to the end that service to all will be improved.

ORDER.

Public hearing having been held in the above-entitled proceeding and the matter having been submitted and being now ready for decision,

It is hereby ordered that Bernard H. Steffen install within thirty days from the date of this order the following improvements:

1. Raise the tanks now at an elevation of approximately 40 feet above the ground to an elevation of approximately 80 feet.
2. Install automatic cut-in at Bidwell's plant.
3. Establish periods of irrigation during which the McFeely Nursery is supplied with water so that its use will not interfere with the periods of maximum draft by domestic consumers.

It is further ordered that Bernard H. Steffen install meters on all service connections and complete the installation on or before March 1, 1919.

It is further ordered that revised schedule of rules and regulations be filed with this commission effective upon their acceptance.

Dated at San Francisco, California, this third day of October, 1918.

DECISION No. 5833.

IN THE MATTER OF THE APPLICATION OF EAST BAY WATER COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF NOTES.

Application No. 3980.

Decided October 9, 1918.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas the Railroad Commission by Decision No. 5674, dated August 10, 1918, authorized East Bay Water Company to issue \$1,250,000 of

5-year 6 per cent notes due August 1, 1923, and issue and pledge bonds; and

Whereas East Bay Water Company on October 8, 1918, filed with the Railroad Commission a copy of its proposed trust agreement defining the terms and conditions under which said notes are to be issued and said bonds pledged, said trust agreement for purposes of identification having been marked "Applicant's Exhibit Number 1"; and good cause appearing, -

It is hereby ordered that East Bay Water Company be and the same is hereby authorized to execute a trust agreement substantially in the same form as the agreement filed with the Railroad Commission on October 8, 1918, and marked "Applicant's Exhibit Number 1."

The approval herein given of said trust agreement is for the purpose of this proceeding only and an approval in so far as this commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said trust agreement as to such other legal requirements to which said trust agreement may be subject.

Dated at San Francisco, California, this ninth day of October, 1918.

DECISION No. 5835.

IN THE MATTER OF THE APPLICATION OF JONATHAN FRANKLIN JACKSON AND IDA JACKSON FOR PERMISSION TO SELL AND TRANSFER A CERTAIN WATER SYSTEM.

Application No. 4022.

Decided October 9, 1918.

BY THE COMMISSION.

ORDER.

Jonathan Franklin Jackson and Ida H. Jackson, his wife, having applied to this commission for authority to transfer to H. B. McLeod a water plant used to furnish water to the town of San Martin, Santa Clara County, California, in accordance with the form of indenture attached to the application herein and marked "Exhibit A," in which the property to be transferred is described as follows:

All those certain lots, pieces or parcels of land situate, lying and being in the county of Santa Clara, state of California, and bounded and particularly described as follows:

Commencing at the northwest corner of Lot 248A San Martin Ranch Map No. 2 as recorded in Book "G" of Maps, pages 38 and 39, Records of Santa Clara County and running thence along the north line of said Lot 248A, N. 66° 11' E. 44.06½ chs, thence S. 23° 49' E. 2.21½ chs. to a stake marked "S" which stake is the point of beginning of the tract to be described; thence north 47° 59' E. 0.50 chs. to a stake marked "IL1"; thence S. 43° 15' E. 3.01 chs. to a stake marked H.1; thence S. 11° 37' W. 8.92 chs. to a stake marked "S.3"; thence S. 47° 24'

W. 8.20 chs. to a stake marked "S.4"; from which stake a live oak tree 5 feet in diameter marked "B.T.S.4" bears N. 14° W. 0.54 chs. thence S. $77^{\circ} 37'$ W. 1.37 chs. to a stake marked "H.2"; thence north $44^{\circ} 26'$ W. 2.65 $\frac{1}{2}$ chs. to a stake marked "H.3"; thence N. $50^{\circ} 30'$ E. 9.21 chs. to a stake marked "S.6"; thence N. $7^{\circ} 45'$ W. 6.60 chs. to a stake marked "S.7"; thence N. $47^{\circ} 59'$ E. 3.20 chs. to the above mentioned stake marked "S" which is the point of beginning, containing 6.07 acres, a little more or less.

Also that certain parcel of land described as follows:

Beginning at a stake marked H.2 from which stake a point on the line between Lots 193 and 248A San Martin Ranch Map No. 2 as same is recorded in Book "G" of Maps, pages 38 and 39 in the office of the County Recorder of the County of Santa Clara, California, distant No. $66^{\circ} 11'$ E. 14.66 chs. from the intersection of the center lines of New Avenue and San Martin Avenue bears S. $23^{\circ} 49'$ E. 2.15 chs.; thence N. $23^{\circ} 49'$ W. 1.50 chs. to a stake marked R.3; thence N. $66^{\circ} 11'$ E. 1.50 chs. to a stake marked R.4; thence S. $23^{\circ} 49'$ E. 1.50 chs. to a stake marked R.1; thence S. $66^{\circ} 11'$ W. 1.50 chs. to the place of beginning. Containing 0.23 acres. Being a tract of land in Lot 248A of the San Martin Ranch Map No. 2 as the same is shown on Map Book "G" pages 38 and 39 in the office of the County Recorder of Santa Clara County, California, having its westerly line parallel with the center line of New Avenue and distant northeasterly therefrom 14.66 chs. and having its southerly line parallel with the line between Lots 193 and 248A said San Martin Ranch and distant 2.15 chs. northwesterly therefrom.

Also all rights as to water, pipe lines, &c contained in the deed from San Martin Land and Water Company, a corporation to Hugh S. Hersman, as follows, viz:

Also the right to maintain and repair the present pipe leading from said 6.07 acre tract, and the right to reconstruct the same, adding to its size and capacity.

Also the right to construct and maintain a pipe line from said 6.07 acre tract to said 0.23 acre tract and from said 0.23 acre tract or from said 6.07 acre tract to Lot 247A in said Ranch. With the right to said second party to enter any part of said Lot 248A for the purpose of repairing or renewing said pipe lines and any of them and the right to travel and haul material over said Lot 248A for the purpose of reaching said 6.07 acre tract, and said 0.23 acre tract and maintaining said pipe lines and any reservoir which may be constructed upon said 6.07 acre tract or said 0.23 acre tract, provided, however, that all of such travel and hauling shall as far as practicable be over roadways now or hereafter established on said Lot 248A all of said pipe lines shall be placed at a depth in the soil which will not interfere with the plowing and cultivation thereof.

Also all of said water pipes and all water rights connected with any of said water pipes and reservoirs, together with all water pipes and connections thereto, along the lines of said pipes and in the Town of San Martin and the pipes leading to said town.

TOGETHER with all and singular the tenements, hereditaments and appurtenances thereunto belonging or in anywise appertaining, and the reversion and reversions, remainder and remainders, rents, issues and profits thereof.

And it appearing to the commission that this is not a case in which a public hearing is necessary and that the application should be granted,

It is hereby ordered that the application herein be and the same hereby is granted; provided, that the authority to transfer the above-described property shall apply only to such property as is transferred on or before October 31, 1918.

Dated at San Francisco, California, this ninth day of October, 1918.

DECISION No. 5838.

IN THE MATTER OF THE APPLICATION OF F. L. RYUS FOR AN ORDER
PERMITTING THE DISCONTINUANCE OF A WATER SYSTEM.

Application No. 4062.

Decided October 9, 1918.

BY THE COMMISSION.

ORDER.

F. L. Ryus has applied for authority to discontinue the operation of a public utility water system supplying from seven to twelve consumers at Fetters Springs, Sonoma County, California.

Applicant alleges that the plant is in a run-down condition and that he is unable, financially, to rehabilitate the same. He is also about to enter the military service of the United States and has been unable to employ anyone to operate the plant during his absence. Applicant has, however, arranged with W. H. Turner, who operates and maintains a public utility water system at Fetters Springs, to take over and supply his consumers with water, so that no hardship will be worked on anyone by reason of the discontinuance of service.

Mr. Turner has advised the commission that the two water systems are already connected and that he has been supplying the consumers of Mr. Ryus for the past two months. He further states that the water supply and facilities are adequate to serve the additional consumers and that he is willing to take over the service.

It appearing to the Railroad Commission that a public hearing in the above-entitled matter is not necessary,

It is hereby ordered that the application be and the same is hereby granted.

Dated at San Francisco, California, this ninth day of October, 1918.

DECISION No. 5844.

IN THE MATTER OF THE APPLICATION OF J. BENTON VAN NUYS
ET AL., DOING BUSINESS UNDER THE NAME OF VAN NUYS WATER
SYSTEM, FOR INCREASE OF WATER RATES.

Application No. 3303.

Decided October 11, 1918.

Oscar C. Mueller, for Applicant.

H. S. Farrell, for city of San Gabriel.

LOVELAND, *Commissioner.*

OPINION ON PETITION FOR REHEARING.

Applicant and petitioner herein filed a petition with this commission on March 2, 1918, asking that Decision No. 5093, made in the above-

entitled proceeding on February 2, 1918, be modified or that a rehearing be granted.

Evidence was submitted at a public hearing held in Los Angeles on March 30, 1918, on the question whether a rehearing should be granted. It was stipulated at the hearing that if the Railroad Commission should be of the opinion that a rehearing should be granted, the evidence presented would be the evidence on such rehearing.

Petitioners contend that the order of the commission is in error, first in not finding a separate value for real estate and, second, in the amount included for that item and, third, in not including five acres of land as the area used and useful and, fourth, that an amount less than the value of the land for its water production use was included in the value of the system established.

Evidence was submitted at the hearing to show that certain items of plant which this commission eliminated as not used and useful from the rate base, should be included.

It has been held in numerous cases by the courts and by this commission that the value of the utility property under consideration must be found as an inclusive amount and that the separation of the elements making up the total cannot be made a requirement.

However, a synopsis of the evidence presented as to the value of real estate was included in the opinion and order heretofore rendered. The value of the real estate in question is only approximately 3 per cent of the total value of the plant. If all the various items not exceeding this in importance were discussed and separate findings made, it would lead to useless refinement. This commission desires to clearly set out in each instance the elements of value going to make up the total, and in this instance it is apparent from previous discussion that the sum of \$5,000.00 was included for real estate used for the convenience of the public.

The evidence submitted of the value of real estate is not conclusive, one witness having testified as to its agricultural value only, another as to its agricultural value plus its value for subdivision purposes plus what he termed its strategic value because of its water bearing properties and still another as to its value without considering its uses as a water producer. Mr. Edwin G. Hart testified for applicants, stating that in his opinion all land bordering on Huntington drive and from there north and as far east as San Gabriel boulevard had a value of \$2,500.00 per acre. This estimate he later qualified by stating that the land in question did not front on Huntington drive, which would detract from its value. Mr. R. W. Hawley, hydraulic engineer of this commission, testified that the commission had found in a previous proceeding a value of \$1,175.00 per acre for similar adjacent lands. Coun-

sel for applicants is here contending, in effect, that this land has certain values for agricultural, residential and water production uses and that its value for the combined uses is the sum of these elements. This, I believe, is manifestly and fundamentally wrong, for assuredly if land has a value of say \$1,500.00 per acre for agricultural purposes, to pay \$4,000.00 per acre for it because of the fact that its value for all of the various uses to which it may be put total that sum would be absurd. After having carefully considered all the evidence on land values, I am still of the opinion that the sum included in Decision No. 5093 is fair.

It is contended by applicant that all of its wells and equipment are used for the convenience of its consumers. This commission held in its decision that two of the plants of this company are unnecessary for the service rendered and their value should not be included in the rate base. Mr. George A. Damon, engineer testifying for applicant, stated that not more than one of the plants of those excluded by the commission could be justified as a reserve. The records of draft and capacity of pumps show that one of the plants now in use, namely No. 65, could alone produce a sufficient quantity of water to meet the draft except during the maximum month and that during maximum month it could, in conjunction with plant No. 127, and the quantity available in storage, furnish an adequate quantity of water to meet not only the maximum draft but also any emergency that might reasonably occur. The value of the above-mentioned plants is included in the rate base. The wells and pumps excluded, and the tunnel connecting them with the reservoir, have been in service for many years and have been superseded by others which produce not only larger quantities of water but also are operating more efficiently, thus they have become fully depreciated due not only to physical depreciation but also to obsolescence and are continuing in operation solely because in place. However, these wells and equipment have a service value because water flows from them by gravity into the reservoir during the rainy season when the ground water level is high, thus effecting a saving in cost of pumping. The sum of \$5,870.00 was included in the value fixed in the decision heretofore rendered as the service value of this equipment. The annuity established includes an allowance for obsolescence and thus if the value of this equipment is included it would be duplication and the utility would receive more than it is justly entitled to.

It is hereby found as a fact that the equipment above referred to is unnecessary for the service of consumers and is obsolete and that its value, except as to its service value, be eliminated from the rate base.

It was contended by counsel for the city of San Gabriel that the rate of \$25.00 per month for the fire service rendered is, in his opinion, too

high and he asks that a lesser rate be established. Evidence was produced by him of rates for fire service in near-by communities, in each of which communities, however, the plants were municipally owned and consequently not comparable with the plant in question. A charge for fire protection does not necessarily vary with the quantity of water used for this purpose but rather with the amount of protection afforded. The Wisconsin Railroad Commission has determined, after detailed investigation, that from 25 per cent to 75 per cent of a water system is properly chargeable to fire protection. This commission has held in a number of instances that rates higher than those established herein are reasonable. I am of the opinion that the charge established for this service is equitable and should be continued in effect.

I shall recommend that the petition for rehearing be denied and suggest the following form of order:

ORDER.

J. Benton Van Nuys, Kate Van Nuys Page and Annis Van Nuys Schweppe, a copartnership, doing business under the firm name of Van Nuys Water System, having filed its application for a rehearing herein and a public hearing having been held and the matter having been submitted,

It is hereby ordered that the said application be and the same is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this eleventh day of October, 1918.

DECISION No. 5845.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS.

Application No. 3557.

Decided October 11, 1918.

BY THE COMMISSION.

FIFTH SUPPLEMENTAL ORDER.

San Joaquin Light and Power Corporation having filed with the Railroad Commission statements showing that it has expended for construction from August 1, 1918, to August 31, 1918, both dates inclusive,

the sum of \$118,449.46, and having asked the Railroad Commission for authority to use the proceeds of \$118,449.46 face value of Series "C" 6 per cent bonds authorized to be issued by Decision No. 5215 and Decision No. 5377, to finance said construction expenditures, and it appearing to the Railroad Commission that of the expenditures referred to \$114,956.82 represents capital expenditures which may be properly paid from the proceeds of bonds; now, therefore,

It is hereby ordered that San Joaquin Light and Power Corporation be and it is hereby authorized to use the proceeds from the sale of \$114,956.82 of Series "C" 6 per cent bonds authorized to be issued pursuant to Decision No. 5215, dated March 18, 1918, and Decision No. 5377, dated May 2, 1918, for the purpose of financing its capital expenditures from August 1, 1918, to August 31, 1918, both dates inclusive, other than those expenditures incurred against estimates Nos. 193, 194, 195, 498, 499, 605 and 2643.

Dated at San Francisco, California, this eleventh day of October, 1918.

DECISION No. 5846.

IN THE MATTER OF THE APPLICATION OF WILLIAM I. FITZGERALD
FOR PERMISSION TO BUY SONOMA VISTA WATER COMPANY.

Application No. 4078.

Decided October 11, 1918.

BY THE COMMISSION.

ORDER.

E. F. Quay having applied for authority to transfer to William I. Fitzgerald his interest in a certain water system which has been conducted under the name of Sonoma Vista Water Company and which supplies the Sonoma Vista Tract in Sonoma County; and it appearing to the commission that this is not a case in which a public hearing is necessary, and that the application should be granted,

It is hereby ordered that the application herein be and the same hereby is granted, provided the authority herein given to transfer property to apply only to such transfer as is made on or before October 31, 1918.

Dated at San Francisco, California, this eleventh day of October, 1918.

DECISION No. 5848.

IN THE MATTER OF THE APPLICATION OF SAN DIEGO AND ARIZONA
RAILWAY COMPANY FOR AN ORDER AUTHORIZING THE ISSUE
AND SALE OF BONDS AND APPROVAL OF TRUST DEED.

Application No. 808.

Decided October 11, 1918.

R. G. Dilworth, for Applicant.

LOVELAND, Commissioner.

FIRST SUPPLEMENTAL OPINION.

Applicant in the above-entitled matter has filed a supplemental petition asking authority to execute a mortgage securing the payment of \$12,000,000.00 of 6 per cent 40-year bonds payable July 1, 1957; issue not exceeding \$8,000,000.00 of said bonds and \$5,826,800.23 of 7 per cent cumulative preferred stock for the purpose of refunding its indebtedness and financing the completion of its line of railway.

Applicant in Exhibit Number "3," filed July 29, 1918, reports its assets and liabilities as of June 30, 1918, as follows:

<i>Assets.</i>		
Investment in road and equipment.....	\$7,707,900.14	
Miscellaneous physical property.....	148,775.20	
Investments in affiliated companies		
(a) Stocks	3,896,309.45	
(d) Advances	128,456.94	
		\$11,881,441.73
Other investments		
(a) Stocks	1.00	
(c) Notes	9,500.00	
		9,501.00
Total		11,890,942.73
Current assets		
Cash	97,367.39	
Special deposits.....	11,378.87	
Traffic and car service balances receivable.....	886.20	
Net balances receivable from agents and conductors..	11,517.53	
Miscellaneous accounts receivable.....	30,436.48	
Material and supplies.....	427,792.53	
Other current assets.....	99.26	
Total		579,478.26
Deferred assets		
Working fund advances.....	212.16	
Other deferred assets.....	1,502.58	
Total		1,714.74

Unadjusted debits	
Rents and insurance premiums paid in advance.....	\$1,724.76
Discount on funded debt.....	1,329.73
Other unadjusted debits.....	760,446.24
Total	\$763,500.73
Total assets.....	\$13,235,636.46
<i>Liabilities.</i>	
Capital stock.....	\$2,000,000.00
Long term debt	
Nonnegotiable debt to affiliated companies	10,040,751.01
Current liabilities	
Audited accounts and wages payable.....	\$103,817.47
Miscellaneous accounts payable.....	1,569,789.48
Other current liabilities.....	2.85
	1,673,609.80
Deferred liabilities	
Other deferred liabilities.....	188,673.49
Unadjusted credits	
Tax liability (credit).....	\$604.84
Accrued depreciation—equipment.....	53,574.96
Other unadjusted credits.....	138,487.04
	191,457.16
Profit and loss—Debit balance.....	858,855.00
Total liabilities.....	\$13,235,636.46

In Decision No. 1264, dated February 9, 1914 (Vol. 4, Opinions and Orders of the Railroad Commission of California, p. 177), as amended, the Railroad Commission authorized San Diego and Arizona Railroad Company to issue on or before June 30, 1917, \$3,000,000.00 of common stock and \$10,000,000.00 of general lien 5 per cent sinking fund 40-year gold bonds for the purpose of refunding an indebtedness of \$3,007,908.50 and financing the construction of a line of railway and appurtenances from the city of San Diego through the northern portion of Lower California, Mexico to Seeley in the Imperial Valley, all of which is more particularly described in the maps on file herein and in the estimate attached to the original petition. Applicant reports that it has issued none of the stock or bonds. In the mean time, applicant has proceeded with its construction work. In Exhibit No. "1," filed July 29, 1918, it reports its investment in road and equipment at \$11,596,902.09. Of this amount \$7,707,900.14 represents investment in California and \$3,889,001.95 investment in Mexico. The lines in Mexico are owned by Compania del Ferrocarril de Tijuana y Tecate, S. A., a Mexican corporation. Applicant owns all of the stock of the Mexican corporation and intends to deposit it with the trustee under the mortgage which it now proposes to execute. The \$11,596,902.09 includes

\$729,798.38 of interest during construction and \$1,192,774.13 representing the cost of the properties of the San Diego and Southeastern Railway Company acquired pursuant to an order of the Railroad Commission.

San Diego and Arizona Railway Company was organized December 15, 1906. Litigation between the Southern Pacific Company and J. D. and A. B. Spreckles relative to the ownership of \$2,000,000.00 of common stock of San Diego and Arizona Railway Company, the civil war in Mexico and the European war all contributed to the delay of the completion of the road.

In Exhibit "6," applicant reports the total distance between terminal points of its line of railway at 139.49 miles. Its completed road is reported as follows:

1. From First to Fifth street, San Diego.....	0.27 miles
2. From Tenth street, San Diego, to international boundary line at Tia Juana	14.34 miles
International boundary line at Tia Juana to international boundary line west of Campo.....	44.37 miles
3. New River, Imperial County, west to end of track at Carriso Pass	31.34 miles
4. International boundary line west of Campo east to end of track, Tecate Divide, Station "E" 650+00.....	23.05 miles
Total track laid main line.....	113.37 miles
Total siding spurs and wyes laid.....	15.17 miles
Total main line and sidings laid.....	128.54 miles

Applicant further reports the section of line now under construction, Mountain Division, from end of track Station "E" 650+00, Carriso Pass, 24.78 miles, 13 miles of which is practically completed and ready for track. The remaining portion, about 11.8 miles in the Carriso Gorge, is about 50 per cent completed.

In its decision of February 9, 1914, the Railroad Commission referring to applicant's type of construction said:

"The portion of the road already built is of standard gauge and of first-class construction. The grades have been skilfully conceived, and the engineering has been of a high type. The materials used have been of good quality and nowhere is there any evidence of skimping in the construction. In brief, the type of road being built is, in our judgment, of the best, and it is proposed to use this same type of construction in building the remainder of the railroad."

The evidence submitted at the recent hearing shows that the construction standards have been lowered as compared with those to which the commission refers in its decision of February 9, 1914. A portion of applicant's line of railway has been relocated. The testimony of Mr. E. J. Kallright, applicant's chief engineer, shows that expensive construction and a great many of the proposed facilities have been eliminated; that originally it was planned to put in concrete portals and concrete linings in some of the tunnels but since timber portals and

timber linings have been decided upon; that in Carriso Gorge a number of temporary structures have been determined upon and the tunnel work in the gorge reduced approximately 40 per cent; that the width of the roadbed has been reduced from 20 feet to 18 feet, and, in fill, from 18 feet to 16 feet; that 75-pound rail has been substituted for 90-pound rail on the mountain section; that a cheaper class of construction has been adopted for terminal facilities; that considerable smaller shops will be built than was originally planned; that less tracks will be put in the yards than was contemplated in the first estimate and that dock and wharf facilities for which in the original estimate \$352,800.00 was allowed will now be eliminated altogether for the reason that the company has a trackage agreement with the Santa Fe which will eliminate the dock and wharfage facilities. I am not saying that these changes are unwise and unwarranted in view of present conditions but merely call attention thereto for the purpose of indicating that applicant has modified its construction standard. Mr. Kallright believes that with the changes suggested by him, applicant's line can be completed prior to June 30, 1919.

The testimony shows that J. D. and A. B. Spreckels and the Southern Pacific Company have compromised the litigation relative to the ownership of the \$2,000,000.00 common stock issued by San Diego and Arizona Railway Company and have entered into an agreement dated October 1, 1916, providing for the financing of the construction of applicant's line of railway. The agreement, as amended, provides that the Southern Pacific Company shall advance to the San Diego and Arizona Railway Company the money necessary after October 1, 1916, to complete the railway from San Diego to Seeley and equip the same, said equipment not to cost over \$700,000.00. In return for such advances San Diego and Arizona Railway Company shall deliver to the Southern Pacific Company its 6 per cent 40-year first mortgage bonds, the face value of the bonds so delivered to be equal to the amount of the advances made by the Southern Pacific Company subsequent to October 1, 1916, including interest at 6 per cent per annum from the date of such advances to the delivery of the bonds. According to the terms of the agreement the Southern Pacific Company and the Spreckels interests agree to pay in cash, in equal amounts, \$1,430,000.00 of bank loans together with the interest due on such loans. In exchange for these payments San Diego and Arizona Railway Company agrees to deliver to the Southern Pacific Company and the Spreckels interests an amount of its first mortgage bonds equivalent to the amount paid by the respective parties. The agreement further provides that from the advances by the Southern Pacific Company and the Spreckels interests prior to October 1, 1916, shall be deducted the \$2,000,000.00 of common stock issued and the balance refunded through the issue at par of 7 per cent preferred stock.

To summarize, the agreement provides for the refunding of the company's indebtedness other than bank loans up to October 1, 1916, through the issue of common and preferred stock and the refunding of the bank loans and advances by the Southern Pacific Company since October 1, 1916, through the issue of first mortgage 6 per cent 40-year bonds.

The advances by the Southern Pacific Company and the Spreckels interests to October 1, 1916, are reported in Exhibit "E" as follows:

	Principal	Interest
Spreckels interest	\$3,497,756.00	\$350,043.00
Southern Pacific Company	2,867,000.00	1,112,000.00
Totals	\$6,364,756.00	\$1,462,043.00
Total principal and interest		\$7,826,799.00
Less common stock issued		2,000,000.00
To be refunded through issue of preferred stock		\$5,826,799.00
Preferred stock to be issued to Spreckels interest		2,847,799.00
Preferred stock to be issued to Southern Pacific Company		2,979,000.00

The bank loans and accrued interest to be refunded through the issue of bonds, as per request of applicant, and the advances by the Southern Pacific Company from October 1, 1916, to June 30, 1918, as well as the estimated advances which are necessary to complete the road, are reported in Exhibits 5, 4 and 6, respectively, as follows:

Bank loans—One-half paid by Southern Pacific Company, one-half by Spreckels interests	\$1,430,000.00
Interest thereon to June 30, 1918	530,178.00
Advances by Southern Pacific Company from October 1, 1916, to June 30, 1918	2,592,930.80
Interest on said advances from January 1, 1918, to June 30, 1918	56,129.40
Estimated advances necessary to complete road	2,439,850.00
Estimated interest accruals prior to completion of road	240,000.00
Total to be refunded through the issue of bonds	\$7,289,088.20

Assuming the Railroad Commission grants the supplemental petition now pending before it, applicant will have outstanding stocks and bonds as follows:

Common stock	\$2,000,000.00
Preferred stock	5,826,799.00
Bonds	7,289,088.20
Total	\$15,115,887.20
Amount of cash advanced by Southern Pacific Company and Spreckels interests, to June 30, 1918, exclusive of interest, as per applicant's reports	10,354,900.00
Add estimated cost to complete	2,439,850.00
Total principal	\$12,794,750.00
Less bonds which applicant proposes to issue	7,289,088.20
	\$5,505,667.80

In arriving at the \$5,505,667.80, no account whatever was taken of interest during construction. Applicant has issued \$2,000,000.00 of common stock and now proposes to issue \$5,826,799.00 of 7 per cent preferred stock, which would mean that applicant's \$7,826,799.00 of stock would be issued on a basis of 70.3 per cent with no allowance for interest during construction. Not until the road is completed can the commission determine how much interest shall be charged to capital account. Any interest during construction allowed hereafter to be charged to capital account will go to increase the investment against which stock is herein authorized to be issued and will, of course, increase the figure against which the stock is being issued. Any interest which the commission may hereafter allow to be charged to capital account shall not be urged as a reason for the issue of additional stocks or bonds.

I do not believe that the amount of securities which applicant desires to issue, taking into consideration the facts and circumstances surrounding the construction of this line of railway and the further fact that neither the Spreckels interests nor the Southern Pacific Company intend at this time to sell any of the stocks or bonds, is unreasonable. It is, of course, understood that only such an amount of the stock and bonds herein authorized will now be issued as may be necessary to pay or refund applicant's indebtedness payable to the Spreckels interests or to the Southern Pacific Company, and that the remainder of the bonds will be issued from time to time to the Southern Pacific Company to pay or refund advances by the Southern Pacific Company to the San Diego and Arizona Railway Company pursuant to the terms of the agreement attached to the supplemental petition herein and marked Exhibit "A." In its decision of February 9, 1914, the Railroad Commission refers to the testimony relative to the earnings of this road. At the recent hearing no additional testimony was introduced on this point. Until, and even after, the road is completed the earnings are problematical. This is a development enterprise and there is no means by which I can determine its earnings with any degree of certainty. Both the Spreckels interests and the Southern Pacific feel confident that the road will pay and have shown their confidence by investing several million dollars and by taking the securities now authorized at par with no intention of selling them to the public. The Southern Pacific expects to invest more than \$2,000,000.00 additional to complete the road.

I expect applicant to expedite in every way possible the completion of its line of railway and am proceeding on the theory that the line will be completed before June 30, 1919.

As said above, applicant asks authority to execute a mortgage to the United States Mortgage and Trust Company to secure the payment of \$12,000,000.00 of first mortgage 6 per cent bonds, payable July 1, 1957.

Heretofore the Railroad Commission authorized applicant to execute to the Union Trust Company of San Francisco a mortgage to secure the payment of \$25,000,000.00 of 5 per cent 40-year bonds. Applicant reports that its board of directors and its officers have procured a satisfaction of the mortgage delivered to the Union Trust Company of San Francisco and the reconveyance to applicant of the properties described and conveyed in said mortgage. The mortgage which applicant now proposes to execute covers the stock of the Compania del Ferrocarril de Tijuana y Tecate, S. A.

I herewith submit the following form of order:

FIFTEENTH SUPPLEMENTAL ORDER.

San Diego and Arizona Railway Company having applied to the Railroad Commission for authority to execute a mortgage and to issue preferred stock and bonds as indicated in the foregoing opinion, a public hearing having been held, and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order,

It is hereby ordered that San Diego and Arizona Railway Company be and the same is hereby authorized to execute a mortgage substantially in the same form as the mortgage filed in this proceeding on June 3, 1918.

It is hereby further ordered that San Diego and Arizona Railway Company be and the same is hereby granted authority to issue not exceeding \$5,826,799.00 par value of its 7 per cent cumulative preferred stock and not exceeding \$7,289,088.20 of its 6 per cent 40-year bonds upon the following conditions and not otherwise:

1. The stock herein authorized to be issued shall be issued to J. D. and A. B. Spreckels and the Southern Pacific Company for the purpose of paying or refunding in part the advances made by J. D. and A. B. Spreckels and the Southern Pacific Company prior to October 1, 1916, pursuant to the terms of the agreement attached to the supplemental petition and marked Exhibit "A."

2. The \$7,289,088.20 of bonds herein authorized to be issued shall be issued to J. D. and A. B. Spreckels and the Southern Pacific Company for the purpose of paying and refunding advances made by J. D. and A. B. Spreckels and the Southern Pacific Company to pay bank loans and to finance the construction of applicant's line of railway subsequent to October 1, 1916, pursuant to the terms of the agreement attached to the supplemental petition and marked Exhibit "A."

3. The approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this commission has

jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject.

4. The authority herein granted to issue stock and bonds shall not be interpreted as authorizing applicant to charge to capital account any interest during construction. The amount of interest to be so charged will be determined hereafter upon the completion of applicant's line of railway.

5. San Diego and Arizona Railway Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds from the sale of the bonds and stock herein authorized to be issued, and on or before the twenty-fifth day of each month the company shall make verified reports to the commission in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

6. The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

7. The authority herein granted shall apply only to such bonds and such stock as may be issued on or before March 30, 1919.

The foregoing first supplemental opinion and fifteenth supplemental order are hereby approved and ordered filed as the first supplemental opinion and fifteenth supplemental order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this eleventh day of October, 1918.

DECISION No. 5849.

IN THE MATTER OF THE APPLICATION OF COAST COUNTIES GAS AND ELECTRIC COMPANY FOR AN ORDER TO RENEW A NOTE OF \$20,000.

Application No. 4111.

Decided October 14, 1918.

EDGERTON, *Commissioner.*

OPINION.

This is an application of Coast Counties Gas and Electric Company for authority to issue a promissory note to the Bank of California, National Association, in the principal sum of \$20,000.00 for the purpose of refunding a similar note, payable October 15, 1918, and issued pursuant to the commission's Decision No. 4751, dated October 16, 1917. Applicant intends to issue a six-month note. It asks authority to renew the note from time to time for a period of not exceeding two (2) years.

Applicant's petition shows that the proceeds from the original note were expended for capital purposes.

Applicant intends to pay the note which it now desires to issue as soon as it is able to sell a sufficient amount of its preferred stock, authorized to be issued by Decision No. 4653, dated September 19, 1917.

I herewith submit the following form of order:

ORDER.

Coast Counties Gas and Electric Company having applied to the Railroad Commission for authority to issue a note in the principal sum of \$20,000.00, payable six months after date to the Bank of California, National Association, and for authority to renew said note from time to time for a period or not exceeding two (2) years, a public hearing having been held and it appearing that the money, property or labor to be procured by such issue is reasonably required for the purpose specified in the order, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Coast Counties Gas and Electric Company be and it is hereby granted authority to issue, for not less than the face value thereof, a promissory note to the Bank of California, National Association, in the principal sum of \$20,000.00, payable six months after date and bearing interest at not to exceed 6 per cent per annum.

The authority herein granted is granted upon the following conditions and not otherwise:

1. The proceeds from the issue of the note herein authorized shall be used by applicant to pay the \$20,000.00 note payable to the Bank of California, National Association, on October 15, 1918.

2. Applicant may renew the note herein authorized to be issued from time to time provided the term of the note herein authorized, together with the term of the notes issued in renewal thereof, shall not exceed two years.

3. Coast Counties Gas and Electric Company shall file with the Railroad Commission reports pursuant to the terms and conditions of the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this fourteenth day of October, 1918.

DECISION No. 5850.

IN THE MATTER OF THE APPLICATION OF FRESNO CITY WATER COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS.

Application No. 4072.

Decided October 11, 1918.

A. E. Peat, for Applicant.

GORDON, Commissioner.

OPINION.

Fresno City Water Company asks authority to issue \$5,000.00 face value of its first mortgage 5 per cent 40-year bonds payable January 1, 1946, and pledge the same with the New Amsterdam Casualty Company to secure that company against any losses which it may be called upon to pay because of awards made by the Industrial Accident Commission of the state of California.

Applicant reports that it is carrying its own risk as to compensation to injured employees under the "Workmen's Compensation, Insurance and Safety Act"; that before being permitted to carry its own insurance, the company is required to file a \$20,000.00 bond with the State Compensation Insurance Bureau; that New Amsterdam Casualty Company has agreed to execute this bond upon the condition that the Fresno City Water Company pay to it \$5,000.00 in cash in monthly installments of \$500.00 each, or deposit with it \$5,000.00 of its first mortgage bonds; that the water company has paid to the casualty company up to September \$2,000.00; and that since then, it has decided to withdraw the cash paid to the casualty company and deposit with the casualty company \$5,000.00 of its first mortgage bonds.

The bonds are to be deposited under an agreement which authorizes the casualty company to sell the bonds, in the event the casualty company shall for any cause, at any time, sustain or incur any liability. In case the bonds are sold, the proceeds remaining after the reimbursement of the casualty company, shall be paid over to the Fresno City Water Company.

Reports on file with the Railroad Commission clearly indicate that Fresno City Water Company has invested for extensions to its plant and system out of earnings a sum in excess of \$5,000.00. I am of the opinion that the company may properly be permitted to issue the bonds for the purpose of reimbursing its treasury, and after such reimbursement deposit the bonds with the New Amsterdam Casualty Company to secure that company against any losses which it may have because of the default of the Fresno City Water Company to pay any awards made by the Industrial Accident Commission of the state of California.

I herewith submit the following form of order:

ORDER.

Fresno City Water Company having applied to the Railroad Commission for authority to issue \$5,000.00 face value of bonds, a public hearing having been held and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose specified in the order and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Fresno City Water Company be and it is hereby granted authority to issue \$5,000.00 face value of its first mortgage 5 per cent 40-year bonds payable January 1, 1946, for the purpose of reimbursing its treasury because of earnings expended for permanent improvements and extensions to its plant and system, upon the following conditions and not otherwise:

1. The bonds herein authorized to be issued shall be deposited by the Fresno City Water Company with the New Amsterdam Casualty Company, or other insurance company, which may execute a bond enabling the Fresno City Water Company to carry its own insurance as required by the Workmen's Compensation, Insurance and Safety Act.

2. Fresno City Water Company shall file with the Railroad Commission within thirty days after the date of this order a statement showing the disposition of the bonds herein authorized to be issued, and thereafter file with the commission semi-annual statements showing the amount of bonds deposited with the New Amsterdam Casualty Company, or other insurance company, and whether or not any of such bonds have been reduced to ownership.

3. If the Fresno City Water Company concludes not to carry its own insurance, the bonds herein authorized to be pledged or deposited with the New Amsterdam Casualty Company, or other insurance company, shall be returned to the treasury of the Fresno City Water Company and thereafter held as treasury securities, to be sold or pledged upon such conditions as the Railroad Commission may hereafter prescribe.

4. The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

5. The authority herein granted shall apply only to such bonds as shall be issued and pledged on or before December 15, 1918.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this fourteenth day of October, 1918.

DECISION No. 5852.

IN THE MATTER OF THE REORGANIZATION OF PETALUMA AND SANTA ROSA RAILWAY COMPANY, A CORPORATION, AND OF THE APPLICATION FOR AUTHORITY TO TRANSFER THE PROPERTIES OF SAID COMPANY TO A NEW COMPANY TO BE HEREAFTER INCORPORATED, AND FOR PERMISSION TO ISSUE STOCKS AND BONDS OF SAID NEW COMPANY.

Application No. 3917.

Decided October 17, 1918.

Order authorizing Petaluma and Santa Rosa Railroad Company to execute trust deed and to issue \$698,400.00 face value of 5½ per cent. 25-year, first mortgage bonds; \$173,600.00 par value of 6 per cent cumulative, preferred stock, and \$1,000,000.00 par value of common stock for the purpose of acquiring properties of the Petaluma and Santa Rosa Railway Company to be sold at foreclosure sale.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas the Railroad Commission by its order in Decision No. 5690, dated August 16, 1918, authorized the sale and transfer of the properties of Petaluma and Santa Rosa Railway Company to a new corporation, and further authorized, subject to the conditions enumerated in said order, the issue of securities; and

Whereas on or about August 23, 1918, Petaluma and Santa Rosa Railroad Company was organized for the purpose of acquiring and operating the properties of Petaluma and Santa Rosa Railway Company; and

Whereas Petaluma and Santa Rosa Railroad Company has filed with the Railroad Commission a copy of its articles of incorporation, of its trust deed, a description of the properties to be acquired and the stipulation referred to in the order in Decision No. 5690 relative to the amortization of reorganization expenses; and

Whereas it appears to the Railroad Commission that the money, property or labor to be procured or paid for by the stock and bonds herein referred to is reasonably required for the purpose or purposes specified in this order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income; and good cause appearing,

The Railroad Commission hereby approves the stipulation filed by Petaluma and Santa Rosa Railroad Company in the above-entitled matter relative to the amortization of the reorganization expenses, also the articles of incorporation of Petaluma and Santa Rosa Railroad Company.

It is hereby ordered that Petaluma and Santa Rosa Railroad Company be and the same is hereby authorized to execute a trust deed substantially in the same form as the trust deed filed in the above-entitled matter on October 10, 1918, and marked Exhibit Number "4."

It is hereby further ordered that Petaluma and Santa Rosa Railroad Company be and the same is hereby authorized to issue \$698,400.00 face value of $5\frac{1}{2}$ per cent 25-year first mortgage bonds; \$173,600.00 par value of 6 per cent cumulative preferred stock and \$1,000,000.00 par value of common stock for the purpose of acquiring the properties of Petaluma and Santa Rosa Railway Company to be sold at foreclosure sale on October 29, 1918, pursuant to the decree of foreclosure entered by the Superior Court of the state of California in and for the county of Sonoma, in the action entitled *First Federal Trust Company vs. Petaluma and Santa Rosa Railway Company*.

The authority herein granted is upon the following conditions and not otherwise:

1. Of the first mortgage bonds herein authorized to be issued, \$655,000.00 face value shall be used to pay or refund the first mortgage bonds of the Petaluma and Santa Rosa Railway Company now outstanding, and \$43,400.00 to pay or refund in part the \$217,000.00 face value of second mortgage bonds of Petaluma and Santa Rosa Railway Company now outstanding.

2. The preferred stock herein authorized to be issued shall be used to pay or refund in part the \$217,000.00 face value of second mortgage bonds of Petaluma and Santa Rosa Railway Company now outstanding.

3. Of the common stock herein authorized to be issued, \$43,400.00 shall be used to pay or refund in part the \$217,000.00 face value of second mortgage bonds of Petaluma and Santa Rosa Railway Company now outstanding; \$956,600.00 par value of common stock may be issued to present stockholders of the Petaluma and Santa Rosa Railway Company or their assignees, who may subscribe for said stock at the rate of \$10.00 per share as more fully set forth in the reorganization plan; provided, however, that none of this stock shall be issued to any person, firm or corporation at the rate of \$10.00 per share unless such person, firm or corporation is a stockholder of the Petaluma and Santa Rosa Railway Company or an assignee of such stockholder. Common stock not subscribed for at the rate of \$10.00 per share, as herein permitted, shall be issued only upon such conditions and for such purposes as the Railroad Commission may hereafter authorize by a supplemental order.

4. The proceeds realized through the issue of common stock shall be applied, first, to pay the note indebtedness of \$66,400.00 referred to in the supplemental petition filed October 8, 1918, second, to pay reorganization expenses, and the remainder shall be expended only for such purposes as the commission may authorize in a supplemental order.

5. Petaluma and Santa Rosa Railroad Company shall file with the Railroad Commission within ninety (90) days after the date of this order a statement showing in detail all reorganization expenses, together

with a statement showing the amount of cash and current assets acquired at the foreclosure sale.

6. The approval herein given of the trust deed is for the purpose of this proceeding only and an approval only in so far as this commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said trust deed as to such other legal requirements to which said trust deed may be subject.

7. The amount of securities herein authorized to be issued by Petaluma and Santa Rosa Railroad Company shall never be urged before this commission, or other public body, as a rate base or as representing the value of the properties for any purpose other than that in this proceeding.

8. Petaluma and Santa Rosa Railroad Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds from the sale of the stock and bonds herein authorized to be issued, and until all of said stock and bonds are issued and the proceeds expended, shall on or before the twenty-fifth day of each month make verified reports to the Railroad Commission, in accordance with the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

9. The authority herein granted shall not become effective until the fee prescribed by the Public Utilities Act has been paid.

10. The authority herein granted shall apply only to such stock and bonds as may be issued on or before March 1, 1919.

And it is hereby further ordered that the order in Decision No. 5690, dated August 16, 1918, shall remain in full force and effect except as modified by this first supplemental order.

Dated at San Francisco, California, this seventeenth day of October, 1918.

DECISION No. 5857.

IN THE MATTER OF THE APPLICATION OF MOUNTAIN LIGHT AND WATER COMPANY, A CORPORATION, FOR AN ORDER FIXING, ADJUSTING AND INCREASING THE RATES FOR THE SALE OF WATER AT GLEN ARBOR, RIVERSIDE PARK, BEN LOMOND AND BROOKDALE AND TO INCREASE THE RATES FOR THE SALE OF ELECTRICITY AT BROOKDALE, IN SANTA CRUZ COUNTY, CALIFORNIA.

Application No. 4073.

Decided October 21, 1918.

GORDON, *Commissioner*.

OPINION.

In this application Mountain Light and Water Company asks authority to make a change in its rates to be charged for water and electric energy.

Applicant delivers water to consumers in Ben Lomond, Brookdale, Glen Arbor and Riverside Park, Santa Cruz County, and electricity in Brookdale.

It is set forth in the application that the interest on indebtedness and operating expenses amount to the sum of \$8,091.00 annually; that the gross income from both water and electric service in 1917 was \$4,881.00; and that the returns to be anticipated if the commission authorizes the rate suggested by applicant will be the sum of \$7,425.00 per annum.

Public hearings were held in the above-entitled matter at San Francisco on September 20 and in Santa Cruz on September 27, 1918.

Practically no opposition was voiced against the change in rates for electric energy. It was explained by the representative of applicant that the service had been greatly improved and that electricity is now available for use continuously, whereas when the rates now in effect were established, the power plant of applicant was operated only during certain hours of the day. The rates suggested by applicant for electric energy will therefore be recommended.

Considerable opposition was voiced against the change in water rates, as suggested by applicant. The present rates are as follows:

SCHEDULE A (Meter Rate).

An annual charge of \$6.00, in addition to which a monthly charge of 75 cents for the first 5,000 gallons or fraction thereof; 15 cents for each 1,000 gallons or fraction thereof for the next 10,000 gallons; 12 cents for each 1,000 gallons or fraction thereof used in excess of 15,000 gallons.

SCHEDULE B (Flat Rate).

An annual charge of \$6.00 in addition to which a monthly charge of 75 cents pending installation of meters.

SCHEDULE E.

An annual charge of \$25.00 for each sprinkling standard or tank.
The changes suggested by applicant are as follows:

In *Schedule A* make the service cumulative per annum and change the rate to an annual charge of \$15.00 payable in advance, one-half January 1 and one-half in advance July 1 if each year, or monthly in advance as the consumer may prefer, and in addition to such annual charge of \$15.00 each consumer to pay at the end of each year 25 cents for each 1,000 gallons used annually over 60,000 gallons.

In *Schedule B* (flat rate) change the rate to an annual charge of \$15.00, payable one-half in advance January 1 and one-half in advance July 1 of each year, or monthly in advance as each consumer may prefer, pending installation of meters.

Schedule E—Sprinkling roads. Change the rate to be \$100.00 per each year for each sprinkling cart using water from the Ben Lomond system and \$100.00 per sprinkling season each year for each sprinkling cart using water from the Brookdale system. Said rate to cover the operation of each cart for each eight hours or fraction thereof each day.

Make a new schedule to be called *Schedule F*—Fish Hatcheries. Fix an annual charge for each fish hatchery of \$150.00, payable September 1 of each year.

Certain of applicant's consumers have stated that they would not pay the increased rates suggested and have intimated that any increase would be considered sufficient cause for their discontinuance of the use of their premises and the sale to others. It is to be noted that applicant serves territory occupied continuously by only a few of the consumers, the major portion being owners of residences which are occupied only during a few of the summer months. It appears essential that this utility must not expect to gain the principal portion of its financial support from the few who are permanent residents and that this would be a discrimination favoring those who have a water supply available at all times and who see fit to use it during only a small portion of the year. The argument of the applicant for the form of rate which it suggests is supported by the fact that the water is developed from watershed lands by gravity and the expense of the company is practically the same whether any water is used or not. It is to be noted that applicant does not ask for any returns on its investment, but only a sufficient sum to cover indebtedness and operating expenses.

I believe that the amount of the minimum yearly charge should not be so great as the \$15.00 requested by applicant and will recommend in the order herein that this amount be changed to \$12.00, together with such other modifications of the rates as therein appear.

I recommend the following form of order:

ORDER.

Mountain Light and Water Company having applied to the Railroad Commission for an order authorizing it to fix, adjust and increase its rates for the sale of water in Ben Lomond, Brookdale, Glen Arbor and Riverside Park, Santa Cruz County, and for the sale of electricity in Brookdale, Santa Cruz County, public hearings having been held and the matter being now ready for decision, the Railroad Commission hereby finds as a fact that the rates herein established are just and reasonable rates, and that the rates heretofore charged by Mountain Light and Water Company are unjust and unreasonable in so far as they differ from the rates herein established.

Basing its order on the foregoing finding of fact and on the further findings contained in the opinion which precedes this order,

It is hereby ordered that Mountain Light and Water Company be and the same is hereby authorized to file with the Railroad Commission within twenty (20) days from the date of this order, and thereafter charge the following rates for water and electric energy served in the above mentioned territory:

Electric Rates.

SCHEDULE "A" (Meter Rates).

Residence and household lighting service, including hotels and boarding houses of less than ten (10) rooms, per kilowatt hour-----	\$0 10
Annual minimum, calendar year-----	15 00

SCHEDULE "B" (Meter Rates).

Commercial lighting, per kilowatt hour.....	\$0 10
Minimum calendar year: Hotels and boarding houses of 25 rooms and over, per annum.....	50 00
Hotels and boarding houses of 10 to 25 rooms, per annum.....	20 00
Commercial business places, including barber shops and bath houses, per annum	15 00

SCHEDULE "C" (Flat Rate).

Residence and household lighting service, applicable to small cottages, per calendar year	\$10 00
Under this schedule the company reserves the right at its option to install meters and charge meter rate with \$10.00 annual minimum.	
Fish Hatcheries, per annum.....	\$20 00

Water Rates.**SCHEDULE "A" (Meter Rates).**

For each meter installed and single payment made on account of same, minimum annual charge, for which 5,000 cubic feet of water may be used at any time in the calendar year covered by the payment.....		\$12 00
Additional water, per 100 cubic feet.....		20

SCHEDULE "B" (Flat Rate).

An annual charge of \$15.00, payable in advance.

SCHEDULE "C."

Sprinkling roads, \$100.00 per year for each sprinkling cart using water from
pipe lines of Mountain Light and Water Company.

SCHEDULE "D."

Fish hatcheries, an annual charge of \$150.00, payable September 1.

The foregoing opinion and order are hereby approved and ordered
filed as the opinion and order of the Railroad Commission of the state
of California.

Dated at San Francisco, California, this twenty-first day of October,
1918.

DECISION No. 5858.

HARRY D. WARDLOW ET AL.

vs.

PLUMAS LIGHT AND POWER COMPANY.

Case No. 1195.

Decided October 21, 1918.

Smith McMullen, for Complainant.

W. A. Jackson, for Defendants.

In establishment of just and reasonable rates for electric energy, it is held that
capitalization represented in property that is nonoperative should not be given
consideration.

BY THE COMMISSION.

OPINION.

This is a complaint of the people of Greenville, Plumas County, Cali-
fornia, against the Plumas Light and Power Company, a corporation,

which serves the towns of Greenville and Crescent Mills and individual agricultural and mining consumers in and adjacent to what is known as Indian Valley, wherein it is alleged that present rates are excessive, and the Railroad Commission is asked to fix just and reasonable rates.

It would appear from the testimony in this case that the complainants desire that consideration of the rates of the consumers of Greenville be given to the exclusion of all factors pertaining to consumers elsewhere on the company's system.

Complainants should bear in mind that rates and standards of service required of a utility of the size and character of defendant should be based upon the activities of the utility as a whole. Our findings in this case are based upon such a consideration.

From an analysis of the company's records, it appears that there is a large capitalization represented in property which is nonoperative, and in no degree useful in the business of serving its consumers with electrical energy, as such business is at present conducted. This non-operative or nonproductive property consists of lands, undeveloped water rights, obsolete power house equipment, etc. The company is now, and has been for over two years, purchasing its energy from the Great Western Power Company.

It is our opinion that for the purpose of establishing just and reasonable rates, under the conditions in this case, only the capital invested in the operative property should be taken into consideration. This would be represented solely in the distribution system, inasmuch as the purchased power is delivered directly to the distribution network.

The commission's gas and electric department made an investigation of this company's property in January, 1915, in connection with Application No. 1438, Plumas Light and Power Company to issue bonds. On the basis of the report made in this connection, the estimated historical reproduction cost of the distribution system is as follows:

Reproduction cost, January, 1915-----	\$7,650 00
Additions, since January, 1915-----	1,961 00
Engineering, etc., 10 per cent-----	962 00
Estimated historical cost-----	\$10,573 00

The company has submitted a statement of operating revenue and expense for the year 1917. Included in this statement we find an item of engineering expense, in amount \$1,067.96. This amount was expended in an investigation of possible hydroelectric development and it does not appear that this expenditure was necessary to the service of the company's consumers or chargeable to operation of the existing system. Obviously, this should not be considered an operating expense, and should be excluded when considering the matter of the rates now before us.

With the above item of \$1,067.96 stricken out, the company's statement is as follows:

Total operating revenue	\$4,250 94
Total operating expense	2,898 22
Net operating revenue.....	\$1,352 72

No amount was included in the above statement for depreciation. On a 4 per cent sinking fund basis, there should be allowed an annuity of approximately \$399.00. Deducting this amount from the net revenue, as indicated above, it is shown that \$1,013.72 was available for interest on the capital invested in operative property, on earning of approximately 9.6 per cent.

Reference should be made to the relatively high rate charged by the company for electric energy as compared with the rate of the Great Western Power Company in adjacent territory. In previous proceedings this commission has specified certain territory which shall be served exclusively by the Plumas Light and Power Company so long as facilities of said company are adequate and rates reasonable. The rates charged for lighting service by the company operating in adjacent territory are materially lower for the small consumer, and somewhat higher for the large consumer. It is evident, from an analysis of defendant's revenues, that a general readjustment of rates is necessary from the viewpoint of equity, not only to the consumers, but to the defendant company. The rates made effective in the following order will net the company a reasonable return on money invested in the operative portion of its property.

ORDER.

A public hearing having been held in the above-entitled proceeding, and said proceeding having been submitted and now being ready for decision, the commission hereby finds as a fact that the existing rates of the utility are unjust and unreasonable in so far as they differ from the rates herein established, and the commission further finds as a fact that the rates hereinafter set forth are just and reasonable.

Basing its order on the foregoing findings of fact,

It is hereby ordered that the Plumas Light and Power Company charge and collect for electric energy sold by it from and after August 1, 1918, the following rates:

General Lighting Service.

Rate.

13c per kilowatt hour for the first	50 kilowatt hours consumed per month
12c per kilowatt hour for the next	50 kilowatt hours consumed per month
11c per kilowatt hour for the next	50 kilowatt hours consumed per month
10c per kilowatt hour for the next	150 kilowatt hours consumed per month
8c per kilowatt hour for the next	200 kilowatt hours consumed per month
7c per kilowatt hour for the next	500 kilowatt hours consumed per month
6c per kilowatt hour for all over	1,000 kilowatt hours consumed per month
Minimum bill	\$1.50 per month per meter
Rate for U. S. Greenville Indian School to remain as at present, 8 cents per kilowatt hour.	

General Power Service.*Rates.*

- (a) For installations from 1 to 24 horsepower, readiness to serve charge, \$1.50 per month per horsepower of connected load.
 Energy charge:
 For the first 200 kilowatt hours consumed per month per horsepower installed, 2 cents per kilowatt hour.
 For all over 200 kilowatt hours consumed per month per horsepower installed, 1½ cents per kilowatt hour.
- (b) For installations of 25 horsepower or over, readiness to serve charge, \$1.25 per month per horsepower of connected load.
 Energy Charge:
 1½ cents per kilowatt hour for all energy consumed.
 Minimum bill, readiness to serve charge.

It is further ordered that Phumas Light and Power Company shall file with the Railroad Commission within ten days from the date of this order a schedule of rates as herein set forth, and that the rates herein shall apply to energy consumed during the month of September, 1918, and each and every month thereafter.

Dated at San Francisco, California, this twenty-first day of October, 1918.

DECISION No. 5862.

IN THE MATTER OF THE APPLICATION OF PICKWICK STAGES, NORTHERN DIVISION, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF STOCK.

Application No. 4149.

Decided October 21, 1918.

Chas. F. Wren, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

Pickwick Stages, Northern Division, a corporation, asks authority to issue \$19,950.00 par value of its common capital stock at not less than par in exchange for the properties of the Pickwick Stages, Northern Division, a copartnership. The properties which the corporation desires to acquire in exchange for its capital stock is described in Exhibit "A," attached to the petition herein.

Pickwick Stages, Northern Division, a copartnership, is operating an auto stage line between Los Angeles and San Francisco. In Decision No. 5070, dated January 25, 1918, the commission authorized Pickwick Stages, Northern Division, a corporation, to issue \$12,000.00 par value of its common capital stock in exchange for the automobile equipment and properties described in Exhibit "B," as amended, attached to the petition in Application No. 3436. The order of the commission in Decision No. 5070 further provided that no stock shall be issued until

the corporation had obtained all necessary permits from public authorities and a certificate of public convenience and necessity from the Railroad Commission as provided for in chapter 213, laws of 1917. Applicant reports that it has now obtained all the necessary permits from public authorities. It has issued none of the \$12,000.00 of stock referred to in Decision No. 5070. The time within which the \$12,000.00 of stock might be issued expired August 1.

Applicant has extended its business. It has acquired additional equipment. In Exhibit "A" the copartnership reports its assets at \$36,071.30 and its liabilities at \$15,306.50, leaving a net value of the property proposed to be acquired by the corporation of \$20,764.80. Against this property the corporation intends to issue \$19,950.00 of its common capital stock. The liabilities will be assumed by the corporation.

I herewith submit the following form of order:

ORDER.

Pickwick Stages, Northern Division, a corporation, having applied to the Railroad Commission for authority to issue \$19,950.00 of stock, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Pickwick Stages, Northern Division, a corporation, be and it is hereby granted authority to issue \$19,950.00 par value of its common capital stock, subject to the following conditions:

1. The stock herein authorized to be issued shall be issued, at not less than par, to Pickwick Stages, Northern Division, a copartnership, in exchange for the automobile equipment, properties and business described in Exhibit "A," attached to the petition herein.

2. The amount of stock herein authorized to be issued in exchange for properties shall not be urged before the Railroad Commission or other public body as a measure of the value of said properties for rate-fixing or any purpose other than that referred to herein.

3. Pickwick Stages, Northern Division, a corporation, shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the stock herein authorized to be issued, and on or before the twenty-fifth day of each month, until all of said stock has been issued and the proceeds disbursed, shall make verified reports to the commission in accordance with the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted to issue stock shall apply only to such stock as may be issued on or before December 20, 1918.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-first day of October, 1918.

DECISION No. 5863.

IN THE MATTER OF THE APPLICATION OF HANFORD GAS AND POWER COMPANY FOR AN ORDER AUTHORIZING AN INCREASE OF GAS RATES.

Application No. 4109.

Decided October 22, 1918.

John G. Corert, for Applicant.

BY THE COMMISSION.

OPINION.

This is the application of the Hanford Gas and Power Company for an increase in its rates charged for gas. Applicant operates an artificial gas plant and distribution system located in the city of Hanford, Kings County, California.

Applicant alleges in effect that the income derived from its gas business does not afford any interest on the investment, and that the income has been insufficient for the last several months to pay the actual operating expenses of applicant. Applicant further alleges that its present financial condition is due mainly to the material increases in the prices of oil and labor, and that providing relief is not given through the medium of increased rates, it will be impossible for applicant to meet its obligations and maintain its solvency.

A public hearing was held before Examiner Encell at Hanford on October 4, 1918, at which time evidence was introduced relative to the rates and operations of the Hanford Gas and Power Company and the application was submitted.

The existing rates charged by applicant are as follows:

	Gross	Net
First 600 cubic feet or less per month.....		\$1 00
First 1,000 cubic feet per month.....	\$1 70	1 60
Next 4,000 cubic feet per month.....	1 60	1 50
Next 5,000 cubic feet per month.....	1 45	1 35
Next 10,000 cubic feet per month.....	1 35	1 25
Next 20,000 cubic feet per month.....	1 10	1 00
All over 40,000 cubic feet per month.....	95	85

The above rates were fixed by this commission in its Decision No. 3999, decided January 11, 1917. In this decision the reproduction cost of applicant's property as of June 30, 1916, based on the valuation by the gas and electric department of this commission, was found to be \$101,393.61. Additions and betterments from June 30, 1916, to June 30, 1918, total \$14,657.64, making a total reproduction cost as of June 30, 1918, of \$116,051.25. On the basis of the above valuation applicant earned for interest and depreciation during 1917 approximately 5.30 per cent.

The following table shows the operating statistics for the year 1917, together with estimates for the year 1919:

	1917	1919
Gas sales, M cubic feet.....	16,440	19,620
Consumers.....	803	900
Sales per consumer.....	20,500	21,800
Cost of oil, barrel.....	\$0.796	\$2.00
Total oil used, barrels.....	7,072	6,570
Total cost of oil.....	\$5,629.31	\$13,100.00
Gallons oil per M cubic feet gas sold.....	18.1	14
Average revenue per M cubic feet gas sold.....	\$1.56	

It will be noted from the preceding tabulation that the oil consumption in gallons per thousand cubic feet of gas sold during the year 1917, was much in excess of what it should be in an efficiently operated plant of the size of applicant's. In the 1919 estimates an oil duty of 14 gallons has been used, and it is believed that applicant, with careful operation, should be able to reduce its oil consumption to this amount.

At the time the present rates were fixed by this commission, applicant was operating under a contract by which it purchased fuel oil at \$.796 per barrel. This contract expired on December 22, 1917. By the present contract, which expires on December 22, 1918, applicant purchases oil at \$1.66 per barrel. After the expiration of the present contract, applicant will be unable to renew it and will have to secure its oil on the open market at a price of not less than \$2.00 per barrel. This increase in the price of oil since the present rates were fixed, will effect an increase in operating expenses, based upon our estimate of the 1919 oil duty and gas sales of \$8,670.00, or \$0.441 per thousand cubic feet of gas sold. In addition to the increased cost of oil, applicant will in the future be forced to increase its pay roll approximately 15 per cent, which will effect an increase approximately 66 cents per thousand feet of gas sold. The above increases will effect an increase in operating expenses, including the taxes thereon, amounting to \$10,700.00, and, providing the present rates were maintained in effect, would cause an actual deficit in net revenue of over \$3,000.00.

From the above it is apparent that this utility must have relief in the way of increased rates in order that it may earn operating expenses and interest and be able to maintain good service. We do not believe that applicant's rates should be increased to a point where it will realize a full 8 per cent return on the investment at this time, nor do we believe with the present cost of oil and labor applicant could charge rates sufficiently high to earn such a return. It is evident from the application that applicant realizes these points and desires an increase in rates at this time sufficient only to amply safeguard its securities. Therefore, after careful consideration of the points involved in this application, we are fixing such rates which, providing the company realizes such efficiency in its operations as we believe it should realize, will net applicant a return approximating 8 per cent for interest and depreciation, and also providing applicant's gas sales do not decrease materially because of the increase in rates.

We recommend the following form of order:

ORDER.

Hanford Gas and Power Company having applied to the Railroad Commission of the state of California for an order authorizing an increase in its gas rates, hearing having been held and the matter submitted and now ready for decision, the Railroad Commission finds as a fact that the existing rates under present conditions of cost and operation are unjust and unreasonable in so far as they differ from the rates and charges herein established, and that the rates set forth in this order are just and reasonable.

Basing its order upon the foregoing findings of fact and upon the other findings of fact contained in the opinion which precedes this order,

It is hereby ordered that Hanford Gas and Power Company be and is hereby authorized to charge and collect the following rates for gas for all regular meter readings taken on and after October 25, 1918, to wit:

	Gross	Net
First 500 cubic feet or less per meter per month.....	\$1 10	\$1 00
	Per M cubic feet	
Next 2,500 cubic feet per meter per month.....	\$1 90	\$1 80
Next 5,000 cubic feet per meter per month.....	1 80	1 70
Next 7,000 cubic feet per meter per month.....		1 50
All over 15,000 cubic feet per meter per month.....		1 20

The net amount is effective providing the bill is paid on or before the tenth of the month in which the bill was rendered.

Dated at San Francisco, California, this twenty-second day of October, 1918.

DECISION No. 5864.

IN THE MATTER OF THE APPLICATION OF THE RIVERBEND GAS AND
WATER COMPANY FOR AN ORDER AUTHORIZING AN INCREASE
IN GAS RATES.

Supplemental Application No. 3552.

Decided October 22, 1918.

Chaffee Hall, for Applicant.

BY THE COMMISSION.

OPINION.

This is a supplemental application of the Riverbend Gas and Water Company for a further increase in its rates charged for gas as fixed in commission's Decision No. 5328, issued on April 20, 1918.

The existing rates charged by applicant are as follows:

<i>Rates.</i>		Gross	Net
First	600 cu. ft. or less per meter per month.....	\$1 10	\$1 00
Next	2,400 cu. ft. per meter per month.....	1 70	1 60 per M cu. ft.
Next	4,000 cu. ft. per meter per month.....	1 50	1 40 per M cu. ft.
Next	8,000 cu. ft. per meter per month.....	---	1 20 per M cu. ft.
All over 15,000 cu. ft. per meter per month.....	---	---	1 00 per M cu. ft.

The net amount effective on all bills paid ten days after first of month following meter reading.

Applicant alleges in effect that since the issuance of the commission's Decision No. 5328, the prices of oil and labor have increased to such a point that it is conducting its business at an actual out-of-pocket loss, and that a further increase in rates will be necessary to enable it to meet its operating expenses and its interest upon its bonded indebtedness.

A public hearing was held before Examiner Encell on October 4, 1918, in Kingsburg, at which time evidence was introduced relative to the recent increases in operating expenses and the effect of the increase in rates granted by the commission in April, 1918.

Since April, 1918, the cost of oil to applicant has increased from \$1.75 to \$2.05 per barrel, this being in part due to the increase in freight rates on oil. During this period there has also been a material increase in the cost of labor. These two items alone effect an increase in operating expense, including taxes thereon, of 14 cents per thousand cubic feet of gas sold.

Applicant in its supplemental application prays that this commission will fix such rates for gas as will permit applicant to pay its operating expenses, to set aside a proper amount for depreciation and to earn a reasonable rate of return upon its investment. We believe that during the present war period, the financial stability of the utilities should be

safeguarded, but in this case it is evident that with the present cost of oil and labor it is hardly possible for this utility to charge for gas a rate which would, in addition to paying operating expenses and depreciation, net an amount which in normal times might be considered a fair return on the investment.

Considerable testimony was submitted regarding the present service conditions experienced in Kingsburg. Applicant testified that its present installation is inadequate to serve the demands made upon it by its consumers in Kingsburg, but that upon the installation of an additional line, which is at present under construction, the service conditions in Kingsburg will be satisfactory. Because of these service conditions we do not believe that applicant's consumers should be charged the higher rates until such a time as the service has been improved and a supplemental order obtained by applicant.

The rates established in the following order should net applicant an added return sufficient to meet its increases in operating expenses and the taxes thereon, experienced since the date of the last order, and permit applicant to realize what might be considered a fair and reasonable return under the present emergency conditions.

ORDER.

The Riverbend Gas and Water Company having applied to the Railroad Commission of the state of California for an increase in its gas rates, a hearing having been held and the matter being now ready for decision, the Railroad Commission finds as a fact that existing rates under present conditions, cost and operation are unjust and unreasonable in so far as they differ from the rates and charges herein established, and that the rates set forth in this order are just and reasonable.

Basing its order upon the foregoing findings of fact and upon the other findings of fact contained in the opinion which precedes this order,

It is hereby ordered that the Riverbend Gas and Water Company be and is hereby authorized to charge and collect the following rates for gas based on all regular meter readings taken on and after October 25, 1918, with the exception of those taken in Kingsburg.

These rates shall not be effective for service in Kingsburg until applicant shall have completed its new transmission line to that city and improved the service therein and shall have received from this commission a supplemental order authorizing the charge of the same.

Rates.

	Gross	Net
First 500 cu. ft. or less per meter per month	\$1 10	\$1 00
Next 2,500 cu. ft. per meter per month	1 80	1 70 per M cu. ft.
Next 4,000 cu. ft. per meter per month	1 60	1 50 per M cu. ft.
Next 8,000 cu. ft. per meter per month	----	1 30 per M cu. ft.
All over 15,000 cu. ft. per meter per month	----	1 20 per M cu. ft.

The net amount to be effective on all bills paid by the tenth of the month following meter readings.

Providing that the Riverbend Gas and Water Company shall file with the Railroad Commission on or before the effective date of this order the rates herein established.

Dated at San Francisco, California, this twenty-second day of October, 1918.

DECISION No. 5865.

IN THE MATTER OF THE APPLICATION OF THE SACRAMENTO GAS COMPANY FOR AN INCREASE IN GAS RATES FOR THE CITY OF LODI.

Application No. 4045.

Decided October 22, 1918.

H. C. Keyes, for Applicant.

Mrs. F. R. Whycers, Mrs. W. H. Faust and R. Lovv, as Protestants.

BY THE COMMISSION.

OPINION.

This is an application of the Sacramento Gas Company for an increase in its rates charged for gas in the city of Lodi.

Applicant operates an artificial gas plant and distribution system located in Lodi as well as an artificial gas plant, natural gas wells and a distribution system in Sacramento.

During the year 1917 applicant had approximately 450 consumers connected, the revenue from gas sales being \$14,809.89, or at an average rate of \$1.42 per thousand cubic feet sold.

The existing rates in the city of Lodi are of the sliding scale form as shown below:

For a consumption of 5,000 cu. ft. or less per month-----	\$1.50 per M cu. ft.
For a consumption between 5,000 and 10,000 cu. ft. per mo._	1.35 per M cu. ft.
For a consumption between 10,000 and 20,000 cu. ft. per mo._	1.25 per M cu. ft.
Minimum charge one dollar per month.	

Applicant alleges, in effect, that the cost of fuel oil has increased from 80 cents per barrel in 1917 to \$1.85 per barrel in July, 1918, and it has been notified that in the future oil delivered in Lodi will cost at least \$1.95 per barrel. Applicant further alleges that the increased cost of fuel oil, together with the increased cost of other materials and labor, will be sufficient to cause applicant to operate at a loss unless its rates are increased materially.

A public hearing was held before Examiner Encell on September 20, at which time evidence was introduced relative to the rates, operations and growth of applicant company and the application was submitted.

Applicant submitted a copy of a valuation compiled by Mr. C. L. Cory in July, 1915, which, with additions and betterments to July, 1918, indicates a reproduction value for the Lodi system of approximately \$100,000.00. Applicant carries on its books for fixed capital, as of July, 1918, the sum of \$71,800.00. Because of the present emergency conditions, it is found to be impractical to make a detailed valuation of these properties at this time. However, a study of the inventory submitted indicates that the book value of \$71,800.00 may be considered a fair value for the purposes of this proceeding.

Upon the above basis applicant earned for interest and depreciation, during the year 1917, 6.6 per cent. For the ensuing year, applicant's expenses for oil alone will be increased over \$4,800.00 due to the increase in price to \$1.95 per barrel. Material, labor and taxes will effect a further increase over the year 1917 of approximately \$1,000.00, making a total increase of \$0.546 per thousand cubic feet sold.

Applicant does not ask, during the present war period, for earnings which in normal times might be considered a fair return, but asks only for a return sufficient to meet operating expenses and bond interest.

In order to meet the present abnormal expenses, a material increase in rates will be necessary. However, we do not feel that applicant could safely at this time charge rates higher than those granted herein without suffering a material loss in business.

The rates established in the following order should net applicant a return approximately equal to that realized in 1917, providing a material decrease in sales is not experienced.

ORDER.

The Sacramento Gas Company having applied to the Railroad Commission of the state of California for an increase in its gas rates in the city of Lodi, hearing having been held, the matter submitted and now ready for decision, the Railroad Commission finds as a fact that existing rates, under present conditions of cost and operation, are unjust and unreasonable, in so far as they differ from the rates and charges herein established, and that rates set forth in this order are just and reasonable.

Basing its order on the foregoing findings of fact, and upon the other findings of fact contained in the opinion which precedes this order,

It is hereby ordered that Sacramento Gas Company be and it is hereby authorized to charge and collect the following rates for gas for all regular meter readings taken on and after October 25, to wit:

For first	500 cubic feet or less per meter per month.....	\$1 00
For next	2,500 cubic feet per meter per month.....	1 90
For next	7,000 cubic feet per meter per month.....	1 70
For next	10,000 cubic feet per meter per month.....	1 55
All over	20,000 cubic feet per meter per month.....	1 45

Provided that the Sacramento Gas Company shall file with the Railroad Commission of the state of California on or before October 21 the rates herein established.

Dated at San Francisco, California, this twenty-second day of October, 1918.

DECISION No. 5866.

IN THE MATTER OF THE APPLICATION OF SOUTHWESTERN GAS COMPANY FOR AUTHORITY TO INCREASE ITS GAS RATES.

Application No. 4080.

Decided October 22, 1918.

Claude H. Webber, for Applicant.

BY THE COMMISSION.

OPINION.

This is the application of Southwestern Gas Company for an increase in its rates charged for gas in the cities of Hemet and San Jacinto, Riverside County, California.

Applicant operates an artificial gas plant located in Hemet and serves gas to its consumers in Hemet, San Jacinto and intervening territory.

Applicant alleges, in effect, that since this commission's Decision No. 4911, issued on November 30, 1917, the cost of fuel oil has increased from \$1.70 to \$2.00 per barrel. Applicant further alleges that labor has increased approximately 35 per cent, and that mainly because of these increases it is unable to meet its operating expenses, bond interest and depreciation accruals.

A public hearing in this matter was held before Examiner Westover at Hemet on October 7, 1918, at which time evidence was introduced and the application was submitted.

Applicant's existing rates are as follows:

First 400 cubic feet or less per meter per month.....	\$1 00
Next 1,600 cubic feet per meter per month.....	1 75 per M
Next 3,000 cubic feet per meter per month.....	1 50 per M
Next 5,000 cubic feet per meter per month.....	1 30 per M
All over 10,000 cubic feet per meter per month.....	1 10 per M
Discount of 25 cents on each bill paid within 15 days of presentation.	

In our Decision No. 4911, it was found that at that time an amount approximating \$40,000.00 represented a fair value of applicant's properties for rate-making purposes. Applicant stated that since that time, due to lack of finances, practically no additions and betterments had been made.

The above-mentioned increase in operating expenses with taxes will amount to practically 22 cents per thousand cubic feet of gas sold. However, it is evident from the testimony that the rates must be

increased more than this amount in order that applicant may continue to operate its properties. Although applicant has been forced to increase wages, it has been unable to meet material increases in the pay roll, with the result that the manager, Mr. Webber, who also owns these properties, has drawn only a portion of his salary during the last several months. Bond interest, which is due on November 1, 1918, amounting to \$900.00, can only be met by borrowing the money necessary.

Applicant suffered material damage from the earthquake, which occurred in April, 1918, due to considerable loss of gas through leaks caused in the system. However, in spite of this fact the oil duty for the period since January 1, 1918, amounts to 16.75 gallons per thousand cubic feet of gas sold, which is only slightly above the average for systems which might be considered comparable to this.

It is evident from the above that a material increase in rates is again necessary in order that applicant may continue to operate its properties.

The rates established in the following order should return a revenue sufficient for applicant to meet its financial obligations, providing its sales do not decrease materially. Although an increase in rates is usually followed by a decrease in sales, we believe that applicant's consumers will realize the difficulties under which applicant is struggling during the present period of high oil and labor prices, and will willingly bear their portion of this burden in order that these communities may continue to enjoy the benefits derived from gas service.

ORDER.

Southwestern Gas Company having applied to the Railroad Commission of the state of California for an increase in its gas rates, and a hearing having been held and the matter having been submitted and now ready for decision, and the Railroad Commission finding as a fact that existing rates under present conditions and cost of operations are unjust and unreasonable and that applicant should be granted authority to increase its rates to those set forth in this order, which are found just and reasonable,

It is hereby ordered that Southwestern Gas Company be and the same is hereby authorized to charge and collect the following rates in the towns of Hemet and San Jacinto and contiguous territory:

	Gross	Net
First 500 cubic feet or less per meter per month.....	\$1 50	\$1 45
Next 2,500 cubic feet per meter per month.....	\$2 10	\$2 00
Next 5,000 cubic feet per meter per month.....	1 90	1 80
Next 7,000 cubic feet per meter per month.....		1 60
All over 15,000 cubic feet per meter per month.....		1 30

The net rate applies to all bills paid on or before the 10th day of the month following that in which the meter was read.

The above rates shall be applicable to all **regular meter readings** taken on and after October 25, 1918, providing **Southwestern Gas Company** shall have filed with this commission said rates on or before that date.

Dated at San Francisco, California, this twenty-second day of October, 1918.

DECISION No. 5867.

IN THE MATTER OF THE APPLICATION OF THE SIERRA AND SAN FRANCISCO POWER COMPANY, A CORPORATION, FOR AUTHORITY TO INCREASE RATES FOR ELECTRICITY TO ITS PATRONS OTHER THAN THE UNITED RAILROADS OF SAN FRANCISCO, THE LATTER RATE BEING COVERED BY CONTRACT.

Application No. 3958.

IN THE MATTER OF THE ELECTRIC RATE CHARGED TO THE UNITED RAILROADS BY THE SIERRA AND SAN FRANCISCO POWER COMPANY.

Case No. 1273.

Decided October 22, 1918.

Granting increase of electric rates to applicant, the commission holds that increase must be borne by all consumers alike and that apportionment of increase based on mathematical and geographical distribution of costs, as proposed by applicant, is not the proper method.

Chickering & Gregory, by *Evan Williams*, for Applicant.

Chas. S. Wheeler and *John F. Bowic*, by *Nathan Moran*, for Universal Gas and Electric Company.

Stephen F. Otis, for Tidewater and Southern Railway Company.

John B. Curtin, for Tuolumne County Electric Power and Light Company.

A. J. Carlson, for city of Modesto.

J. W. Harris, for California Street Cable Railroad Company.

F. O. Housken, for city of Tracy.

C. A. McBrien, for town of Ripon.

C. C. Carlson, for city of Turlock.

F. M. Correll, for Manteca Packing Company.

Blaine Ferguson, *in propria persona*.

F. Powers, for town of Manteca.

S. M. Levy, for Calaveras Copper Company.

B. S. Crittenden, for West Side Irrigation District and Tracy Board of Trade.

C. Howard, for Byron Bethany Irrigation Company.

John G. Barker, for La Grange Gold Dredging Company.

William M. Abbott, for United Railroads of San Francisco.

DEVLIN, *Commissioner*.

OPINION.

Sierra and San Francisco Power Company, hereinafter referred to as applicant, asked authority to increase its electric rates on account of abnormal increases in operating expenses, but specifically exempts its principal consumer, United Railroads of San Francisco, from any increase in rates, alleging in this connection that the contract rate to be paid by United Railroads would be commensurate with its increased costs of operation.

Hearings were held in Modesto on August 20, 1918, and in San Francisco on September 3 and September 10, 1918.

During the course of the hearing it developed that the increases in operating expense for which applicant asks reimbursement in the form of increased rates, might apply to United Railroads of San Francisco as well as applicant's other consumers. In order that any temporary emergency surcharges that might be authorized by this commission be effective for all of applicant's consumers, where proper, and since applicant expressed doubt as to its right to amend its application so as to include United Railroads of San Francisco, by reason of certain contractual conditions, the Railroad Commission of the state of California instituted on its own motion the proceeding entitled "*In the Matter of the Electric Rate Charged to United Railroads by the Sierra and San Francisco Power Company*," which, as modified by consent at the hearing, places the United Railroads in the same category as all other of applicant's consumers, to the same degree as if the language of applicant's original pleadings had not excluded United Railroads.

A hearing was held in this matter on September 17, 1918, at which time further hearing was held in the original proceeding, Application No. 3958. At this time both matters were consolidated and the evidence previously submitted in Application No. 3958 was by stipulation incorporated in the record of Case No. 1273. Both proceedings were submitted on September 17, 1918, and are now ready for decision.

Sierra and San Francisco Power Company is engaged in the production, transmission and distribution of electric energy and the distribution of water in certain portions of central California, including the counties of Calaveras, Tuolumne, Stanislaus, San Joaquin, Contra Costa, Alameda, Santa Clara, San Benito, San Mateo, San Francisco and Monterey. Its largest consumer is United Railroads of San Francisco, to which applicant supplies all of the electric energy for the operation of its street railway system in San Francisco and San Mateo counties.

The terms and conditions under which United Railroads is supplied with electricity by applicant, and in accordance with which it pays applicant for such electricity supplied, are based upon a certain contract entered into between Sierra and San Francisco Power Company, United Railroads of San Francisco and Knickerbocker Trust Company, trustee, dated August 30, 1909, and filed with the Railroad Commission under date of July 24, 1913, and part of the record of these proceedings.

Applicant's properties were originally constructed for the purpose of supplying United Railroads with electricity but its activities have been enlarged so that it now supplies electricity for heat, light and power purposes over an extensive territory, including energy to several

other electric utilities for redistribution. Among the principal large consumers of this character are:

Universal Electric and Gas Company in San Francisco.
Coast Valleys Gas and Electric Company, operating in Monterey, Salinas, King City and intervening territory.
Western States Gas and Electric Company, operating in and about Stockton; and Tuolumne County Electric Company, in Sonora.

Applicant serves also several large mines, a cement mill and electric railways other than the United Railroads. At December 31, 1917, applicant's consumers numbered 6196, and its total deliveries of energy for the year ending June 30, 1918, was divided among its consumers as follows:

	Actual		Normal*	
	K. W. H.	Per cent	K. W. H.	Per cent
United Railroads	103,733,658	65.41	131,438,110	70.56
Coast Valleys Gas and Electric Co.	12,541,306	7.91	12,541,306	6.73
Universal Electric and Gas Co.	9,331,479	5.89	9,331,479	5.01
Western States Gas and Electric Co.	8,089,000	5.10	8,089,000	4.34
All other consumers	24,890,309	15.69	24,890,309	13.36
Total	158,588,752	100.00	186,293,204	100.00

*NOTE. -Corrected for energy heretofore supplied to United Railroads by City Electric Company, and for normal consumption of United Railroads, all of which applicant would have otherwise supplied, as at present.

Applicant bases its request for increased rates upon the increases in operating costs due to four specific items of expense. The water used at its principal generating station at Stanislaus is carried through a long wooden flume, and the maintenance of this flume is the principal item of cost in connection with the production of hydroelectric energy by applicant. Annually 1,500,000 board feet of lumber are used for repairs and replacements in this flume, the cost of which will be \$14.91 per 1,000 board feet more than during the past season.

The power generated at Stanislaus plant is transmitted over a high voltage line from Stanislaus to San Francisco, with branch lines extending from Manteca to Modesto and from Port Marion to Salinas. Each year it is necessary to replace many of the insulators used to support the conductors of this transmission system, the cost of which constitutes an item of current maintenance.

Prior to July 1, 1918, applicant purchased fuel oil for the operation of its steam power plant, known as North Beach Station in San Francisco, at a price under contract of 66 cents per barrel. Subsequent to the expiration of this contract, applicant entered into a new contract for a period of one year at a price of \$1.624 per barrel. This constitutes a substantial increase in the cost of power to applicant if considered alone, but in addition the increase in applicant's load, due to the assumption of that portion of the United Railroads' load heretofore

served by City Electric Company under a contract which expired November 15, 1917, will necessitate an increased production of energy by steam.

In addition to these increased expenses, applicant will be required to raise the standard of wages paid its employees engaged in the conduct of its business and the operation of its system.

Applicant presents evidence showing its actual revenues and operating expenses for the year ending June 30, 1918, and estimates indicating that for the year ending June 30, 1919, expenses will be increased in the sum of \$322,720.00 over and above the expenses actually incurred in the preceding year. It further shows that it will receive from United Railroads, in accordance with the terms of the above mentioned contract, the sum of \$63,072.00 additional revenue, which leaves a net deficiency of \$259,048.00 for which applicant asks reimbursement in the form of increased rates to be charged its other consumers. Applicant further shows a geographical distribution of its accounts according to certain territorial segregations, and sets forth in some detail the revenue and expenses assignable to the operating divisions of its system. On this basis applicant purports to show that certain portions of its territory thus arbitrarily segregated, if charged with pro ratas of its operating costs, are productive of profit or loss as the case may be. I am not at all impressed with the method thus used by applicant in apportioning mathematically the costs incidental to its business over the several geographical divisions of its territory. There are factors other than those resulting from a physical and mathematical analysis such as here presented, which affect the apportionment of the cost of electric energy. I am of the opinion that in matters of this character in which we are concerned with emergency relief to utilities, that we must consider the properties, business, revenues, expenses and other charges as a whole, in which all consumers are to share rather than to apportion and segregate items of cost to specific localities served. In all proceedings of this character in the past, we have taken the position that the increases in cost occasioned by present abnormal conditions should be distributed among the utility's consumers as a whole.

I therefore propose to consider applicant's revenue and expenses as a whole to determine the increases in cost which applicant will be required to bear in the immediate future, and to apportion such increases among applicant's consumers in the form of surcharges to existing rates in such a manner as will equitably distribute such added burdens.

The following table shows in parallel columns applicant's revenue, expense and fixed charges as reported to the Railroad Commission for

the years ended December 31, 1915, 1916 and 1917, and its revenues, operating expenses and fixed charges for the year ended June 30, 1918, as set forth in the exhibits submitted herein:

TABLE I.
Sierra and San Francisco Power Company Electric Operating
Revenues and Expenses.

	Per annual reports to Railroad Commission			For year ended June 30, 1918, per applicant's exhibits
	For year ended December 31, 1915	For year ended December 31, 1916	For year ended December 31, 1917	
Revenue:				
Electric operating	\$1,224,487	\$1,360,901	\$1,467,855	\$1,647,938
Other operating	3,339	5,908	7,173	25,119
Total revenue	\$1,227,826	\$1,366,809	\$1,475,028	\$1,673,057
Operating expenses:				
Production -				
Maintenance	\$47,649	\$55,606	\$68,748	\$83,709
Fuel oil	91,174	43,357	88,453	173,298
Operation	64,095	64,930	76,084	93,022
Transmission--				
Maintenance	15,000	20,453	19,364	34,252
Operation	26,857	22,879	19,228	19,735
Distribution--				
Maintenance	7,488	15,327	14,083	16,200
Operation	11,566	21,411	27,569	34,614
Commercial	13,482	19,288	25,827	29,112
General and miscellaneous	79,742	77,044	82,550	87,766
Taxes	62,761	69,023	85,555	91,939
Depreciation	69,779	71,835	74,648	132,934
Total operating expenses.....	\$489,593	\$481,186	\$582,109	\$796,181
Net operating revenue.....	\$738,233	\$885,623	\$892,919	\$876,876
Interest on funded debt.....	\$792,793	\$816,483	\$858,150	\$860,000
Amortization of debt, discount and expenses		\$4,700	\$4,700	23,013
Fixed charges to be met.....	\$792,793	\$821,183	\$862,850	\$883,013

*NOTE.—Charged out of earnings prior to 1918; balance from surplus.

The period comprising the year ended June 30, 1918, for which applicant has presented its revenue and operating expenses as a basis for rate adjustment, is in many respects an abnormal period. For this reason it will be difficult to determine on the basis submitted by applicant in its exhibits, not only the normal revenue and expenses of applicant's business, but also the increased costs of operation which applicant will be required to meet under normal conditions. I therefore propose to use the figures originally submitted by applicant as a basis and take into account those factors affecting the abnormality of

applicant's operations during the year ended June 30, 1918. The necessary facts involved have been presented to the commission at its request subsequent to the hearings in these proceedings, pursuant to stipulation. The analysis of applicant's business will, therefore, be based upon the revenue, expenses and costs incidental to a normal year and upon the energy to supply the normal business for such a period as that ended June 30, 1918.

The respects in which applicant's business for the year ended June 30, 1918, were abnormal, are as follows:

1. The electric energy available from applicant's hydroelectric plants was less than the average rainfall and run-off conditions would have produced. Due to the reduction of the United Railroads' load during the strike on its system, applicant estimates that energy to the amount of 3,973,496 kilowatt hours was wasted. Applicant further shows that under normal conditions of rainfall, run-off and storage that its hydroelectric plants would produce on the average 172,908,968 kilowatt hours per annum.
2. From July 1, 1917, to November 15, 1917, City Electric Company supplied United Railroads with energy in the amount of 11,408,452 kilowatt hours, or an average of two and two-thirds millions kilowatt hours per month, all of which energy applicant is now required to supply to United Railroads and will continue to supply.
3. During the months of August to December, 1917, inclusive, labor difficulties among the employees of the United Railroads of San Francisco resulted in a curtailment of its car service and a consequent reduction in the electric energy supplied to it by applicant. Applicant states that under normal conditions the United Railroads would have used 16,296,000 kilowatt hours more during the year ended June 30, 1918, than was actually used due to this curtailment.
4. Applicant's revenues and expenses were correspondingly altered as a result of all the preceding conditions, so that to establish what would be termed a normal year consideration must be given to all of the above factors.

Table II following shows a comparison of the supply and sales of electric energy from all sources for the year ended June 30, 1918, as shown in applicant's exhibits, and the corresponding figures of energy supply and sales for a normal year with the business that would have been supplied during the year ended June 30, 1918. This analysis shows in some detail the actual and normal energy from hydroelectric plants, from steam plants, energy sold, and with a further segregation of the energy supplied to the United Railroads segregated in accordance with the provisions of the contract between it and applicant. On the basis of the average efficiency of the steam plant operation, the corresponding actual and normal consumption of fuel oil and cost thereof is obtained.

TABLE II.

**Sierra and San Francisco Power Company Sources and Sale of Energy
Year Ended June 30, 1918.**

	Actual K. W. H.	Corrected for U. R. R. nonuse and city electric supply K. W. H.	Normal supply by Sierra and San Francisco Power Co., K. W. H.
Energy at sources:			
Hydro generation	148,306,665	152,280,161	172,998,968
Steam generation	41,252,700	70,394,243	49,675,436
Total energy at sources	189,559,365	222,674,404	222,674,404
Energy sold, total	158,588,752	186,293,204	186,293,204
Sales to U. R. R.:			
Hydro energy*	89,813,633	113,344,497	122,438,110
Steam energy*	13,890,025	18,093,613	9,000,000
Total sales to U. R. R.	103,703,658	131,438,110	131,438,110
Oil for steam generation:			
Efficiency k.w.h. per barrel	158.89	180	170
Barrels of oil	259,623	391,079	292,208
Cost of oil at \$0.66 per barrel	\$173,298	\$258,112	\$192,857
Cost of oil at \$1.624 per barrel	421,628	635,112	474,546

*NOTE.--Apportioned as per United Railroads contract.

Under conditions of actual and normal load the revenue derived by applicant from United Railroads contract, based upon the total energy supplied, the guaranteed consumption and the adjustment provided for the price of fuel oil would be as follows:

Actual revenue, year ended June 30, 1918	\$1,003,557 00
Normal revenue, oil at 66 cents per barrel	1,097,006 00
Normal revenue, oil at \$1.624 per barrel	1,140,446 00

Assuming all other sales and revenue identical with those of the year ended June 30, 1918, and basing operating expenses upon the actual costs of the year ended June 30, 1918, with an adjustment for the consumption of fuel oil under normal conditions and the corresponding increases in steam power plant operating costs and taking further into account the increases in labor, in flume maintenance, in insulator replacements and in the cost of fuel oil resulting from a raise in price from 66 cents per barrel to \$1.624 per barrel, we can deduce the gross revenue, operating expenses and net operating revenue for a normal year under existing rates, as shown in Table III following. In this statement the first column shows the actual conditions for the year ending June 30, 1918. The second and third columns show the conditions for a year of average water supply and for the normal business that would have been supplied for the year ended June 30, 1918, under costs of operation that existed during that period, and with the increases

in the cost of operation that applicant shows it will be required to bear during the coming year. This analysis indicates that under normal conditions and costs applicant would earn a net operating revenue, after deducting taxes and depreciation, of \$941,553.00. With the increased costs shown in the third column of the preceding table, applicant would have earned a net operating revenue of but \$631,214.00. The reduction in net income as a result of the increased costs of operation is therefore \$310,339.00.

TABLE III.

**Sierra and San Francisco Power Company Electric Revenue and Expenses
With Existing Rates and Contracts, Year Ended June 30, 1918.**

	Actual	Normal	
		Under former conditions	Under existing increased costs
Gross revenue:			
From United Railroads.....	\$1,003,557	\$1,097,066	\$1,140,446
From other sales of electricity.....	644,381	644,381	644,381
Other operating revenue.....	25,119	25,119	25,119
Total revenue	\$1,673,057	\$1,766,566	\$1,809,946
Operating expenses:			
Production--			
Maintenance	\$83,709	\$85,600	\$107,457
Fuel oil	173,298	192,857	474,516
Operation	93,022	94,822	94,822
Transmission--			
Maintenance	31,252	31,252	55,555
Operation	19,735	19,735	19,735
Distribution--			
Maintenance	16,200	16,200	16,200
Operation	34,614	34,614	34,614
Commercial	29,112	29,112	29,112
General and miscellaneous.....	87,366	87,366	87,366
Taxes	91,939	97,521	99,959
Depreciation	132,934	132,934	132,934
Labor increase unsegregated.....			26,441
Total operating expenses.....	\$796,181	\$825,013	\$1,178,732
Net operating revenue.....	\$876,876	\$941,553	\$631,214

In the above table we have adopted the figure of \$132,934.00 as annual depreciation charge for applicant's electrical properties. While we have no property valuations before us in this proceeding, this charge claimed by applicant does not appear unreasonable and can not be considered as excessive for properties of the size and character herein considered. The normal net operating revenue, after deducting this depreciation allowance, under former costs of operation, amounting to \$941,553.00 is not, in my opinion, an excessive return for applicant's business. If applicant's net income is permitted to fall to \$631,214.00

per annum, applicant will be unable to meet the interest and amortization requirements on its bonds, which aggregate the sum of \$883,013.00 per annum. This would also be true if applicant were to set up a depreciation reserve of only \$74,648.00 per annum as formerly, instead of the charge of \$132,934.00 per annum used above, aside from any surplus earnings in excess of the necessary fixed charges which in these times are so essential for the financial stability of a public utility.

Applicant has based its request for increased rates upon the increase in cost of four items of expense, namely, labor, fuel oil, insulators and lumber, and has made no plea for reimbursement on account of the increases in the prices of other materials used in the operation and maintenance of its properties. With the modifications of applicant's exhibits above, I believe that the operating expenses herein considered represent the minimum additional costs that applicant will be required to pay.

I am satisfied that applicant's business and service to the public will be seriously hampered if these conditions be permitted to continue, and that the additional burdens thus placed upon applicant should be borne in part by its consumers in the form of increased rates.

In apportioning the burden of increased costs among the various classes of consumers served by applicant, I believe that the following surcharges added to the rates named in existing schedules and contracts will equitably apportion the increased costs of operation among the various classes of applicant's consumers, and provide applicant with sufficient additional revenue to meet its current obligations, viz:

For energy sold for municipal street lighting.....	15 per cent of monthly bills
For energy sold for residence and commercial lighting.....	1½ cents per kilowatt hour
For energy sold for power purposes, including heating and cooking	3 mills per kilowatt hour
For energy sold for electric railways.....	1½ mills per kilowatt hour
For energy sold to other public utilities.....	1½ mills per kilowatt hour
Except for energy sold to the Coast Valleys Gas and Electric Company, which should be increased.....	2½ mills per kilowatt hour

In increasing the rate of Coast Valleys Gas and Electric Company to a greater extent than the rates of the other public utilities served, I have carefully reviewed the contracts of all these utilities and am of the opinion that the rate named in the existing Coast Valleys contract is entirely too low for the service supplied in comparison with the service supplied to other public utilities by applicant.

The surcharge of 1½ mills per kilowatt hour applicable to energy sold to electric railways is intended to cover service to the United Railroads of San Francisco with the following reservations, namely, that for the energy supplied by applicant United Railroads shall pay Sierra and San Francisco Power Company such additional revenue as will result in an increase of 1½ mills per kilowatt hour on all energy sup-

plied, over and above the revenue that the same quantity of energy would have yielded to applicant under the terms of the United Railroads contract with oil at 66 cents per barrel. For the purpose of this proceeding alone, I am conceding the point that the rate named in the United Railroads contract constitutes a reasonable charge for energy supplied under conditions prevailing prior to June 30, 1918, and I am using this rate as a basic rate to which the $1\frac{1}{2}$ -mill increase above mentioned should be added. I believe that the addition of $1\frac{1}{2}$ mills to such basic rate will assess United Railroads with its proper share of applicant's increased costs of operation.

I further desire to point out that applicant practically owes its existence to the United Railroads contract, which has provided it in past years with a source of revenue that has sustained it through a development period. Under this contract United Railroads has assumed the burden of stabilizing the Sierra and San Francisco Power Company and has expressed in the record herein its willingness to continue its support under present abnormal conditions, reserving, however, any rights which it has under its contract.

The surcharges set forth above, when applied to applicant's normal sales of energy, will result in an annual increase in gross revenue of \$310,869.00, provided no reduction in consumption arises out of these surcharges. If this be added to the normal revenue shown in Table III above, the total revenue to be obtained by applicant will be the sum of \$2,120,815.00, operating expenses amounting to \$1,178,732.00, shown in Table III above, will be increased by \$17,409.00 to provide for the taxes on increased revenue, making a total operating expense of \$1,196,141.00, which, when deducted from the increased revenue, leaves a net operating revenue of \$924,674.00. This is \$16,879.00 less than the normal net operating revenue of \$941,553.00 shown above, which applicant would have earned prior to the increases in operating costs herein considered.

After the payment of all operating expenses, depreciation and fixed charges of \$883,013.00, including bond interest and amortization requirements, applicant will have remaining a surplus of \$41,661.00 from the year's electric operations. This is a comparatively small margin for surplus. It is thus evident that applicant's consumers will not carry the entire burden of increased costs, but applicant itself will be required to bear a substantial portion thereof, and in so doing suffer an actual loss in earnings with a corresponding reduction in surplus.

The surcharges set forth above are higher than have been heretofore established in similar proceedings, but the added burdens of applicant are greater in proportion to the size of its business than have been disclosed in such previous matters. It must be borne in mind that these surcharges are of an emergency and temporary character pending a

complete review and investigation of all of applicant's electric rates, which are now before the commission.

I submit the following form of order:

ORDER.

Sierra and San Francisco Power Company having applied to the Railroad Commission of the state of California for authority to increase electric rates to its consumers other than United Railroads of San Francisco, the Railroad Commission having investigated on its own motion the rate charged by Sierra and San Francisco Power Company to United Railroads of San Francisco, hearings having been held and both matters submitted, the Railroad Commission of the state of California finds as a fact that the rates and charges for electricity fixed by the schedules of rates and contracts of the Sierra and San Francisco Power Company on file with the Railroad Commission, are not just, fair or reasonable rates during the present war emergency period, in that they do not provide applicant with sufficient revenue for the proper conduct of its business, and in so far as they differ from the rates and charges for electricity hereinafter fixed. I find as a fact that the rates and charges for electricity fixed by the schedules of rates and by the contracts of applicant on file with the Railroad Commission, when modified by the surcharges set forth in this order are just, fair and reasonable rates for electricity sold by applicant, under such war emergency conditions as at present exist.

Basing its order on the foregoing findings of fact and on findings of fact contained in the opinion which precedes this order,

It is hereby ordered that Sierra and San Francisco Power Company be and is hereby authorized to charge and collect for electric energy sold, based on all regular meter readings taken on and after the twenty-fifth day of October, 1918, in addition to the charges fixed by its schedules of rates and by its contracts on file with the Railroad Commission, the following surcharges, to wit:

For energy sold for municipal street lighting.....	15 per cent of monthly bills
For energy sold for residence and commercial lighting.....	1½ cents per kilowatt hour
For energy sold for power, including heating and cooking	3 mills per kilowatt hour
For energy sold for electric railways.....	1½ mills per kilowatt hour
For energy sold to other electric utilities, excepting Coast Valleys Gas and Electric Company.....	1½ mills per kilowatt hour
For energy sold to Coast Valleys Gas and Electric Company	2½ mills per kilowatt hour

Provided Sierra and San Francisco Power Company shall, within ten days of the date of this order, file with the Railroad Commission of the state of California an amended schedule of rates, setting forth the surcharges herein established and the respective schedules and contracts to which such surcharges apply, and further provided that Sierra and

San Francisco Power Company shall designate separately on bills rendered its consumers for electricity the amounts due it under the surcharges herein authorized.

It is hereby further ordered that Sierra and San Francisco Power Company shall file with the Railroad Commission on or before the twentieth day of each month a statement covering its revenue, expenses and capital expenditures for the preceding month, and such other information as the commission may hereafter designate.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-second day of October, 1918.

DECISION No. 5868.

W. B. KURTZ AND A. G. KUCK

vs.

VISTA WATER COMPANY, A CORPORATION.

Case No. 1190.

Decided October 28, 1918.

Order declaring Vista Water Company is not a public utility, based on evidence showing that company gives service only to company stockholders.

Wright & McKee, for Complainants.

Halsey W. Allen, for Defendant.

LOVELAND, *Commissioner*.

OPINION.

The complaint in this case alleges that defendant, Vista Water Company, is a public utility owning and operating a water system to supply water for irrigation and domestic use to certain designated tracts of land in Rancho Buena Vista, in San Diego County, in which area complainants' lands are situated, and the complainants seek an order from the Railroad Commission requiring the water company to make provision for a more adequate supply of water.

The defendant company claims that it is not a public utility and not subject to the jurisdiction of the Railroad Commission.

It appears that the water company was incorporated in June, 1912, "to buy, develop, acquire, bore for, collect, store, distribute, supply to its members, sell to its members, deliver to its members and for domestic use, the said water to be so sold, distributed, supplied, delivered and apportioned only to the owners of its capital stock, said stock to be made appurtenant to certain lands to be described in the certificate issued therefor and to be particularly described and designated in its by-laws."

The intent of the incorporators of this company was thus undoubtedly to form a mutual water company for the supply of water to certain area to which the stock of the water company was to be made appurtenant. This was, in fact, done, the by-laws specifically defining the area to which the stock was to be appurtenant and the stock certificates themselves being endorsed with the same description. Witnesses for the company testified that no dividends had ever been declared and that the revenue derived had not more than paid for the cost of operation, each stockholder being assessed the pro rata amount represented by the shares of stock held by him.

Complainants are holders of stock which has been made appurtenant to the land owned by them, and supplied with water by the defendant company. The only basis of the complainants' contention that the defendant company is a public utility is their claim that in addition to supplying its stockholders the company was also engaged in supplying water directly to a number of persons in the incorporated "Vista townsite" who were not holders of stock and who were charged rates by the company for water supplied. Complainants at the hearing, however, were unable to substantiate this claim. The evidence clearly showed that the defendant was supplying water to no one except its stockholders, and that the water supplied within the Vista townsite was supplied by Vista Land Company, which is a holder of stock in the water company, the Vista Land Company receiving the water by virtue of its stock ownership in the water company and then itself distributing this water to the inhabitants of the townsite and itself rendering bills and collecting rates therefor.

Under all the evidence presented, I am satisfied that the Vista Water Company is a mutual company and not a public utility, and that the complaint should accordingly be dismissed. The Vista Land Company, however, which is engaged in supplying water within the Vista townsite, is a public utility, and as such is subject to the jurisdiction of the Railroad Commission.

ORDER.

It appearing that the Railroad Commission has no jurisdiction to grant the relief prayed for in the complaint herein because the defendant company is not a public utility,

It is hereby ordered that the complaint herein be and the same hereby is dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-eighth day of October, 1918.

DECISION No. 5869.

IN THE MATTER OF THE APPLICATION OF VACAVILLE WATER AND LIGHT COMPANY FOR AUTHORITY TO DISCONTINUE FLAT RATE SERVICE OF ELECTRICITY, AND FOR AN ORDER ESTABLISHING ELECTRIC RATES.

Application No. 3960.

Decided October 28, 1918.

Order authorizing Vacaville Water and Light Company to discontinue flat service rate in favor of meter system, commission holding that flat rate leads to extravagance in use of electricity.

W. Z. McBride, for Applicant.

T. E. Reynolds, for town of Vacaville.

BY THE COMMISSION.

OPINION.

This is an application of Vacaville Water and Light Company requesting authority to discontinue flat rate service of electricity, and for an order of the commission fixing rates for the sale of electricity in its territory.

A hearing was held at Vacaville on August 19, 1918, before Examiner Encell. Evidence was introduced and the matter submitted, and is now ready for decision.

Vacaville Water and Light Company is engaged in the distribution of electricity and the pumping and distribution of water in and around the town of Vacaville, Solano County. In this proceeding we are concerned only with applicant's electric business, except the apportionment of the cost of electricity to its water pumping plants, which are electrically operated.

Applicant operates no electric generating plants of its own, but purchases its entire supply of electricity at wholesale from Pacific Gas and Electric Company. In the past, applicant paid to Pacific Gas and Electric Company for all power received according to an existing contract, a sum equal to one-half of the electric operating revenue of applicant, and in addition a fixed sum of \$450.00 per annum for power used for operating its water pumping plants. This contract having expired and the rates of Pacific Gas and Electric Company having been modified by Decision No. 5519 of this commission, applicant's rates for wholesale power were changed and applicant is now required, and will hereafter be required, to pay to Pacific Gas and Electric Company for all power purchased for resale and for pumping in accordance with Schedule No. 189 of Pacific Gas and Electric Company, and in addition thereto a surcharge of 1 mill per kilowatt hour.

A large proportion of applicant's electric consumers have been purchasing power from it under flat rates, and now that applicant is

required to pay for power on a metered basis it is both necessary and desirable that the remaining flat rate consumers of applicant be placed upon such rate schedules that will require them to pay according to their actual use of electricity, which will thereby eliminate the wasteful and extravagant use of electricity that always exists where flat lighting rates are in effect. Applicant serves about 500 consumers, of which about 470 are lighting consumers, and the remainder are power users. There remain on applicant's system about 100 flat rate consumers. Applicant purchases from Pacific Gas and Electric Company about 650,000 kilowatt hours per annum, of which 128,000 kilowatt hours are used in the operation of its water pumping plants.

Table I following shows applicant's actual electric operating revenues and expenses for the years 1916 and 1917, and an estimate, based on the evidence herein, for 1918, as if the former contract with Pacific Gas and Electric Company were still in effect. In this table the item "Production Expense" is the cost of power at wholesale and is an amount equal to one-half the operating revenues, with some minor bookkeeping adjustments.

TABLE I.

Vacaville Water and Light Company—Electric Department.

REVENUE AND EXPENSES.

	Year ended December 31.		
	1916	1917	Estimated 1918
Electric operating revenues.....	\$11,092 44	\$11,501 30	\$15,000 00
Operating expenses:			
Production	\$7,054 81	\$7,235 80	\$7,500 00
Distribution	1,867 05	1,405 37	1,600 00
Commercial	517 50	540 00	540 00
General and miscellaneous.....	1,655 76	1,771 27	1,720 00
Taxes	765 73	*785 00	870 00
Uncollectible accounts (estimated).....	150 00	150 00	150 00
Total operating expenses.....	\$12,010 85	\$11,887 44	\$12,380 00
Net revenue for return and depreciation	\$2,081 59	\$2,613 86	\$2,120 00

*Corrected item. Actual taxes reported as \$505.52 obviously in error.

Under existing conditions, however, with Schedule No. 189 and its surcharge in effect, applicant will pay for all power it receives from Pacific Gas and Electric Company the sum of \$8,210.00 per annum. From this should be deducted the sum of \$1,440.00 for power used in the operation of its water pumping plants, leaving a sum of \$6,770.00 as the cost of power chargeable against its electric operations.

To change over from flat rate to metered service, applicant will be required to install approximately 100 electric meters and therefore

carry an additional expense for the maintenance of these meters and the reading thereof, and some additional expense incidental to the keeping of such extra accounts. The metering of the remaining flat rate consumers will, in all probability, somewhat curtail the use of electricity by such affected consumers, and to this extent applicant's revenues will be correspondingly reduced. Taking into consideration these various factors, it appears that applicant's revenues and expenses, under the new conditions thus resulting, will be as follows:

TABLE II.

Vacaville Water and Light Company—Electric Department.

REVENUE AND EXPENSES.

Based on New Schedule Rate for Purchased Power and Elimination of Flat Rate Consumers.

	Under existing rates	Under rates hereinafter established
Operating revenue	\$14,500 00	\$15,400 00
Operating expenses:		
Production	\$6,770 00	\$6,770 00
Distribution	1,800 00	1,800 00
Commercial	800 00	800 00
General and miscellaneous	1,900 00	1,900 00
Taxes	840 00	940 00
Uncollectible accounts	150 00	150 00
Total operating expense	\$12,260 00	\$12,360 00
Net revenue for return and depreciation	\$2,240 00	\$3,040 00

The increase in operating expenses incident to these changes is offset by the reduction in the cost of power obtained at wholesale, so that applicant's net revenue under existing rates will be slightly improved. The increases in operating expenses considered above included certain increases in labor costs which applicant will be required to meet in the operation of its plant and system.

A valuation of applicant's electric properties was made by the engineering department of the commission, and from the inventory and investigation by Mr. W. M. McKay (Exhibit No. 1 of the Railroad Commission) we find that the sum of \$30,705.00 represents a reasonable valuation of applicant's electric system as of July 15, 1918. To this should be added the sum of \$1,500.00 for the necessary investment in additional meters occasioned by the removal of flat rates, and the further sum of \$2,000.00 for materials and supplies and working capital, making a total valuation of \$34,205.00.

Using the above valuation of \$30,705.00 as a basis, and the net additions and betterments to applicant's electric properties for the years 1916, 1917 and the first six months of 1918, the average capital for

these years may be obtained. A comparison of these figures with the net revenue earned for each year is given in the following table:

TABLE III.
Vacaville Water and Light Company—Electric Department.

NET REVENUE FOR RETURN AND DEPRECIATION.			
Year	Average capital	Net revenue	Per cent
1916	\$25,409 00	\$2,082 00	8.20
1917	28,892 00	2,614 00	9.03
1918 under existing rates	34,205 00	2,210 00	6.55
1918 under rates hereinafter established	34,205 00	3,040 00	8.90

This table indicates that although applicant's net revenue for 1918, under present conditions, is improved by the reduction in its cost of wholesale power, it will not obtain the return on its capital which its business for the past two years has shown it capable of earning.

Applicant's present rates for power, heating and cooking on file with the commission appear to be sufficient. On the other hand, its metered lighting rates on file are low when the character of applicant's business and the costs of serving communities of this size and character are considered. We are of the opinion that applicant's revenue should be increased so that it will earn a return on its capital comparable with its earnings in 1916 and 1917.

The rates set forth in the order herein will increase applicant's electric revenue by the sum of \$900.00 per annum and will provide it with a net revenue of \$3,040.00 per annum, which is 8.90 per cent on the average capital for the current year for depreciation and return. The depreciation in electric properties such as applicant's amounts to 3 per cent per annum, so that the actual return from the rates hereinafter established is less than 6 per cent on the value of applicant's electric properties.

ORDER.

Vacaville Water and Light Company having applied to the Railroad Commission of the state of California for authority to discontinue flat rate service of electricity and for an order establishing electric rates, the Railroad Commission finds as a fact that applicant's existing rates are not just or reasonable rates in that under present conditions they do not provide applicant with sufficient income, and in so far as they differ from the rates hereinafter established, which rates are found to be just and reasonable rates for electricity sold by applicant.

Basing its order upon the foregoing findings of fact and upon the other findings of fact contained in the opinion which precedes this order,

It is hereby ordered that Vacaville Water and Light Company be and the same is hereby authorized to discontinue all flat rates for the sale of electricity, and to place all consumers heretofore receiving service under flat rates upon the metered schedules hereinafter established.

It is hereby further ordered that on and after the fifth day of November, 1918, Vacaville Water and Light Company shall charge for electricity in accordance with the following rate schedules, to wit:

SCHEDULE "A."

General Lighting Rate.

First 30 kilowatt hours per month	9 cents per kilowatt hour
Next 70 kilowatt hours per month	7 cents per kilowatt hour
Next 100 kilowatt hours per month	6 cents per kilowatt hour
All over 200 kilowatt hours per month	5 cents per kilowatt hour
Minimum charge, \$1.00 per meter per month.	

SCHEDULE "B."

Heating and Cooking Rate.

First 100 kilowatt hours per month	4 cents per kilowatt hour
All over 100 kilowatt hours per month	3 cents per kilowatt hour
Minimum charge, \$2.50 per meter per month.	

SCHEDULE "C."

General Power Rate.

First 300 kilowatt hours per month	4 cents per kilowatt hour
Next 700 kilowatt hours per month	3 cents per kilowatt hour
Next 1,500 kilowatt hours per month	2½ cents per kilowatt hour
All over 2,500 kilowatt hours per month	2 cents per kilowatt hour
Minimum charge, \$1.00 per month per horsepower of connected load.	

Where light and power are supplied from one meter, the first 30 kilowatt hours per month shall be charged for at the lighting rate, and the remainder at the power rate.

SCHEDULE "D."

Agricultural Power Rate.

First 300 kilowatt hours per month	4 cents per kilowatt hour
Next 700 kilowatt hours per month	3 cents per kilowatt hour
Next 1,000 kilowatt hours per month	2½ cents per kilowatt hour
All over 2,000 kilowatt hours per month	2 cents per kilowatt hour
Minimum charge, \$6.00 per year per horsepower of connected load.	

It is further ordered that Vacaville Water and Light Company shall, within ten days of the date of this order, file with the Railroad Commission the schedules of rates for electricity herein established, which rates shall be effective for all regular meter readings taken on and after the fifth day of November, 1918.

Dated at San Francisco, California, this twenty-eighth day of October, 1918.

DECISION No. 5870.

IN THE MATTER OF THE APPLICATION OF THE SAN FRANCISCO, NAPA AND CALISTOGA RAILWAY FOR PERMISSION TO DISCONTINUE CERTAIN PASSENGER TRAIN STOPS ALONG ITS LINE OF RAILWAY.

Application No. 3594.

Decided October 28, 1918.

John T. York, for Applicant.

Wallace Rutherford, city attorney, for city of Napa.

W. H. Young, for Young Hardware Company and Merchants Association of Napa, Protestants.

BY THE COMMISSION.

OPINION.

San Francisco, Napa and Calistoga Railway has petitioned the Railroad Commission for an order authorizing the abandonment of certain passenger stops on its line of railway for the reason that the stops for which elimination is desired are in close proximity to other stops which adequately serve the public, and more reliable service will be given the public, together with economical operation of the railway of the applicant, if the elimination of the stops is authorized.

Public hearings were held at Napa on September 23, 1918, and at San Francisco on September 28, 1918, the matter was duly submitted and is now ready for decision.

The stops proposed to be eliminated and the conditions existing at such points are as follows:

Pine street, St. Helena, located .18 of a mile north of post office and .07 mile south of Madrona stop. The grade at this point approaching from the south varies from 1.77 per cent to 1.41 per cent. Pine street, St. Helena, is two blocks north of the business section of St. Helena. The main portion of the business section is located south of the post office, and the stop maintained at the post office serves the principal hotel, the post office and the express office. The existing stop at Madrone will serve the population now served by the Pine street stop.

DeLatour, located .35 mile north of Rutherford and .31 mile south of Hanrahan. This serves only a private lane belonging to the DeLatour family.

Twin Oaks, located .88 mile north of Benson and .28 mile south of Oakville. This stop is located on a curve and patrons are compelled to cross the Southern Pacific tracks to reach the station stop. The grade at this point, together with the curve and the proximity of a high embankment make the continuance of this stop almost prohibitive as a proper operative condition.

Bauman, located .39 mile north of Victoria and .64 mile south of Veterans' Home. This is a stop at a private lane, and closely adjacent

to a culvert and bridge. The stop is infrequently used by the traveling public and requires extreme care in that a high embankment exists closely adjacent to the point where stop is made.

Oak Knoll Ranch, located .27 mile north of Orchard avenue and .56 mile south of Oak Knoll. This stop serves the private interests of the Malone Company and is infrequently used by the general public.

Roe, located .91 mile north of Union and .35 mile south of Salvador. This stop is located on a portion of track on which high speed is maintained. The stop is located on a curve on which superelevation is present account for the degree of curvature. The stop serves a private lane which terminates in an open field and is but infrequently used by the public.

Tallman, located .16 mile north of Northwestern Crossing and .49 mile south of Union. This stop is situated at the bend of county road leaving Calistoga and at the northwestern corner of land owned by the applicant. Both grade and curvature are heavy at this point and stop is but infrequently used.

E street, Napa, located .16 mile north of B street and .12 mile south of G street. There are four stops in the city limits of Napa north of Napa Creek, all on tangent track. The frequency of stops delay through trains and there are no ordinance conditions requiring stops at any designated point. E street is located but two short blocks from G street, at which latter point a hospital is located.

Coombs street, Napa, located .10 mile north of Main street and .10 mile south of Franklin street.

Main street, Napa, located .15 miles north of Napa Station and .10 mile south of Coombs street.

It is proposed to abandon both the above stops and establish in lieu thereof a near-side northbound stop and a far-side southbound stop at Brown street, which latter street is intermediate and between Coombs street and Main street. The proposed rearrangement of the stops to serve this portion of the city of Napa was the only one regarding which opposition was presented at the hearing. The city of Napa at the present time has 12 stops within the city limits, all included within a distance of 1.6 miles. In view of the present urgent need for conservation of power, this is an unusual number of stops, as stops located at least one-half mile apart are considered adequate for interurban lines of the character of the applicant. The public necessity does not require the multiplicity of stops that are in evidence on the line of the applicant and at the hearing on this application no testimony was introduced that indicates there is any public demand for the retention of the stops proposed to be eliminated in the city of Napa, especially as a compro-

mise stop has been arranged which appears to satisfactorily care for the needs of the traveling public.

Kelly, located .19 mile north of White Gate. It is proposed to move this stop to the south end of a siding, also known as Kelly. The present stop is located on private right of way in the rear of a barn belonging to the Kelly Ranch. The present stop is located on a reverse curve and directly opposite a circuit breaker. The proposed removal of the present stop and consolidation with the Kelly stop as proposed will create a better operating condition and should more adequately serve the public.

Florida street, Vallejo, located .13 mile north of Capitol street and .21 mile south of Louisiana street. The grade at this point approaching from the north is 3.36 per cent and by reason of the heavy grade it has been the custom to operate trains across Florida street before a stop was made, that the difficulty in starting a heavy train might be reduced to the minimum.

Sacramento street, Vallejo, located .17 mile north of Branciforte street and .09 mile south of Marin street. An excessive grade exists at this point, the grade approaching from the south being 2.21 per cent, breaking at the point of stop to 1.99 per cent. Between Sacramento street and Marin street the grade breaks from 1.99 per cent to 0.39 per cent.

At the hearing on this proceeding there was no opposition presented regarding the proposed elimination of station stops, with the exception of the proposed elimination of the Coombs street and Main street stops in the city of Napa, for which a substituted stop is proposed to be provided at Brown street, and in view of the great number of stops already existing within the city limits of the city of Napa, we are of the opinion that the establishment of the proposed compromise stop at Brown street will be in the interest of the traveling public, particularly as regards through passengers destined to points beyond Napa and between Napa and Calistoga.

After careful consideration we are of the opinion and find as a fact that the proposed elimination and consolidation of station stops on the railway line of the applicant will not be against the public convenience and that the application should be granted.

ORDER.

San Francisco, Napa and Calistoga Railway having made application for permission to abandon certain stops on its line of railway and in some instances to consolidate other stops as more fully set forth in the preceding opinion, public hearings having been held, the matter having been duly submitted and the commission being fully advised, and basing its order on the finding of fact as set forth in the preceding opinion,

It is hereby ordered that this application be and the same hereby is granted. The elimination and consolidation of the station stops as herein granted shall be made effective after five days notice will have been given the traveling public by posting notices at the stops herein authorized to be abandoned or consolidated.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-eighth day of October, 1918.

DECISION No. 5874.

IN THE MATTER OF THE APPLICATION OF INTERURBAN WATER COMPANY FOR AUTHORITY TO TRANSFER TO IMPERIAL UTILITIES CORPORATION ITS WATER PLANT AND SYSTEM IN MONTEREY PARK, AND AUTHORIZING SAID IMPERIAL UTILITIES CORPORATION TO ISSUE CERTAIN BONDS AND STOCK IN PAYMENT THEREFOR.

Application No. 3547.

Decided October 28, 1918.

Benj. J. Henley, for Applicants.

BY THE COMMISSION.

OPINION.

Interurban Water Company asks authority to transfer to Imperial Utilities Corporation its water plant and system in Monterey Park adjacent to Los Angeles, and the latter company asks authority to issue in payment therefor \$30,000.00 par value of its common capital stock and \$50,000.00 of its 5 per cent 25-year gold bonds to be known as Series "B," both bonds and stock to be issued at par.

A public hearing upon the application was held by Examiner Westover at Los Angeles.

The plant and system in question was originally installed to serve a subdivision known as Ramona Acres, the territory subsequently being incorporated under the name of Monterey Park. The water is pumped from wells and served for domestic uses through about 816 services, beside a large quantity delivered for irrigation use.

The president of the Interurban Water Company placed a valuation of \$150,000.00 on the properties while the engineers of the Imperial Utilities Corporation submitted an estimated cost new of the physical properties of \$123,276.08, with an accrued depreciation of \$27,904.11, showing a reproduction cost new less depreciation of \$95,371.97. No separate appraisal has been made by the commission's engineers, but

they have examined the figures referred to and report that they are satisfied that the entire properties has cost at least \$80,000.00.

Interurban Water Company has submitted an income statement for the five months ending March 31, 1918, showing:

Gross revenue	\$5,506 38
Operating expenses	2,484 56
Net operating revenue	\$3,021 82
<i>Deductions.</i>	
Taxes	\$433 75
Interest and discount	2 65
Interest on \$50,000.00 of bonds to be issued	1,041 75
Total deductions	1,478 15
Net income available for taxes and depreciation for five months ..	\$1,543 67

Imperial Utilities Corporation was incorporated with a capital stock of \$100,000.00, divided into 1,000 shares of the par value of \$100.00 each. One hundred shares are now outstanding, the proceeds having been used to improve its plants at Calipatria and Niland mentioned below.

By Decision No. 4985, dated December 26, 1917 (Vol. 14, Opinions and Orders of the Railroad Commission of California, p. 790), the Railroad Commission authorized Imperial Utilities Corporation to issue \$10,000.00 of Series "A" 6 per cent bonds to acquire properties from the Imperial Valley Farms Land Association et al. at Niland and Calipatria, Imperial County. The water properties at Niland and Calipatria have been operated by Imperial Utilities Corporation since April, 1917. Chas. G. Patrick, manager of the company reports that during its first twelve months of operation its net earnings have amounted to \$7,800.00. The net earnings, he further reports, have been more than sufficient to pay twice the interest on the bonds now outstanding and the \$50,000.00 referred to herein.

ORDER.

Interurban Water Company having applied to the Railroad Commission for authority to sell its properties to the Imperial Utilities Corporation, and Imperial Utilities Corporation having applied to the Railroad Commission for authority to issue \$30,000.00 par value of its common capital stock, and \$50,000.00 face value of its 5 per cent 25-year Series "B" gold bonds in payment for said properties, a public hearing having been held and the commission being of the opinion that this application should be granted, that the money, property or labor to be procured or paid for by the issue of bonds and stock referred to is reasonably required for the purpose specified in the order, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Interurban Water Company be and it is hereby granted authority to sell to the Imperial Utilities Corporation the properties described in Exhibit "1," attached hereto, said sale to be made pursuant to the terms and conditions of the agreement attached to the petition herein and marked Exhibit "D."

It is hereby further ordered that Imperial Utilities Corporation be and it is hereby granted authority to issue, at not less than par, \$30,000.00 par value of its common capital stock and \$50,000.00 face value of its 5 per cent 25-year Series "B" gold bonds for the purpose of acquiring the properties described in Exhibit "1," attached hereto.

The authority herein granted is granted upon the following conditions and not otherwise:

1. The amount of bonds and stock herein authorized to be issued in exchange for properties shall never be urged before the Railroad Commission or other public body as a measure of value of said properties for rate-fixing or for any purpose other than that referred to herein.

2. Within thirty days after the transfer of the properties herein authorized, Imperial Utilities Corporation shall file with the Railroad Commission a verified copy of the instrument of conveyance.

3. Imperial Utilities Corporation shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the bonds and stock herein authorized to be issued and on or before the twenty-fifth day of each month, until all of said bonds and stock have been issued, and the proceeds disbursed, shall make verified reports to the commission in accordance with the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted to issue bonds shall not become effective until Imperial Utilities Corporation has paid the fee prescribed by the Public Utilities Act.

5. The authority herein granted to transfer properties and issue bonds and stock shall apply only to such property as may be transferred and to such bonds and stock as may be issued on or before February 25, 1919.

Dated at San Francisco, California, this twenty-eighth day of October, 1918.

EXHIBIT NO. "1."

The properties which the Inter-urban Water Company desires to sell to the Imperial Utilities Corporation are described in Exhibit "E" attached to the petition herein as follows:

"The South fifty (50) feet of Lot three (3) of Block K of Tract Number Seven Hundred Eighty-six (786), as the same appears upon the official plat thereof, recorded at pages 58 and 59 of Book 16 of Maps, Records of Los Angeles County, State of California:

"Lot A of Ramona Acres, plat No. 2, as the same appears upon the official plat thereof, recorded at page 59 of Book 11 of Maps, Records of Los Angeles County, State of California:

"The West thirty (30) feet of Vacation Street on East and Thirty (30) feet of Vacation Alley on the South, and Lot Number Three Hundred Thirty-four (334) all of Ramona Acres, plat No. 2, as the same appears upon the official plat thereof, at pages 26 and 27 of Book 17 of Maps, Records of Los Angeles County, State of California;

"The South one-half (½) of Lot Two Hundred Sixty-four (264) of Ramona Acres, plat No. 2, as the same appears upon the official Map thereof, at pages 134 and 135 of Book 16 of Maps, Records of Los Angeles County, State of California.

"All of the distributing system pipe lines, pumping plants, pipe, pipe fittings, meters, supplies, buildings, reservoirs, reservoir sites, water rights, rights of way, franchises, and all other property, real, personal and mixed, owned by the party of the first part and situate in or upon Tract Number Seven Hundred Eighty-six (786), Tract Number Two Thousand Three Hundred Ninety-nine (2399), Tract Number One Thousand One Hundred Seventy-nine (1179), Tract Number One Thousand Five Hundred Forty-eight (1548), Tract Number One Thousand Eight Hundred Seventy-four (1874) and Tract Number One Thousand Nine Hundred Eighty-five (1985), of that certain plot or parcel of land commonly known as Ramona Acres, and Tract Number Two Thousand Seventy-eight (2078), Tract Number One Thousand Four Hundred Ninety-five (1495), Tract Number Two Thousand Six Hundred Twenty-seven (2627), Tract Number Two Thousand Eight Hundred Twenty-six (2826) Tract Number Three Thousand Four (3004) and Tract Number Two Thousand Seven Hundred Seventy-two (2772), of that certain plot or parcel of land commonly known as Andover Tract, all situate, lying and being in and constituting the Town of Monterey Park in the County of Los Angeles, State of California.

"The purpose of this instrument is to convey from the party of the first part to the party of the second part all of the property, real, personal and mixed, water rights, franchise rights, good will and assets of the party of the first part from the said party of the first part to the party of the second part and all of said property is hereby conveyed whether specifically mentioned herein or not.

"TOGETHER with all and singular the tenements, hereditaments and appurtenances thereunto belonging, or in any wise appertaining; and the reversion and reversions, remainder and remainders, rents, issues and profits thereof."

DECISION No. 5882.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION AUTHORIZING IT TO ISSUE, SELL AND DELIVER ITS GENERAL AND REFUNDING MORTGAGE GOLD BONDS TO THE PAR VALUE OF \$5,000,000.00 OR ITS FIRST PREFERRED STOCK TO THE PAR VALUE OF \$5,000,000.00 OR SUCH PORTIONS OF EITHER SECURITY TO THE PAR VALUE OF \$5,000,000.00 AS THE COMPANY MAY ELECT TO ISSUE AND SELL, AND TO USE THE PROCEEDS FROM THE SALE OF SAID BONDS AND STOCK IN THE MANNER AND FOR THE PURPOSES DESCRIBED HEREIN.

Application No. 4012.

Decided October 31, 1918.

Order authorizing Pacific Gas and Electric Company to issue \$5,000,000.00 of its 5 per cent general and refunding mortgage bonds, payable January 1, 1942, or \$5,000,000.00 of its 6 per cent first preferred stock on condition that bonds shall be sold for cash at not less than 85 per cent of their face value, plus accrued interest; that stock shall be sold for cash at not less than \$82.50 per share, the proceeds to be used to reimburse its treasury for capital expenditures incurred prior to May 31, 1918, and for the further purpose of financing certain construction expenditures.

William B. Bosley and Charles P. Cullen, for Applicant.

DEVLIN, *Commissioner*.

OPINION.

Pacific Gas and Electric Company asks authority to issue \$5,000,000.00 of its 5 per cent general and refunding mortgage gold bonds, due January 1, 1942, or \$5,000,000.00 of its 6 per cent first preferred stock, or such portion of either said bonds or stock to the aggregate par value of \$5,000,000.00 as it may elect to issue and sell. Applicant intends to sell its bonds for not less than 85 per cent of their face value, plus accrued interest, and its stock for not less than \$82.50 per share.

Under former orders of the commission, applicant has authority to issue on or before December 31, 1918, \$498,500.00 of its first preferred stock. It reports that it has received subscriptions for \$21,900.00 of said \$498,500.00 of stock and that there is due on the subscriptions the sum of \$7,633.98. Applicant asks permission to use the proceeds from the sale of the \$498,500.00 of stock heretofore authorized to be issued, together with the proceeds from the sale of the \$5,000,000.00 of bonds or the \$5,000,000.00 of first preferred stock, which it now asks authority to issue, to reimburse its treasury for moneys expended for capital purposes and to finance construction expenditures referred to in Exhibits "B," "C" and "E," attached to the petition herein.

As of May 31, 1918, Pacific Gas and Electric Company reports \$24,773,805.00 of first preferred, \$75,800.00 of original preferred and \$65,700,924.66 of common stock outstanding. Of the common stock outstanding, \$31,696,866.66 is owned by subsidiary companies, leaving \$34,004,058.00 of common stock outstanding in the hands of the public. The \$84,885,000.00 of funded debt reported on May 31, 1918, includes \$875,000.00 of bonds pledged, \$145,500.00 of bonds in the treasury of the company, \$4,644,700.00 of bonds held alive in the various sinking funds and \$79,219,800.00 of bonds outstanding in the hands of the public.

In Exhibit "D," attached to the petition herein, applicant reports capital expenditures of \$3,504,255.57 against which no stocks or bonds have been issued. In Exhibit "B" it refers to construction expenditures to be incurred subsequent to May 31, 1918, involving the sum of \$2,290,790.33; in Exhibit "C" the sum of \$794,373.33 and in Exhibit "E" \$2,700,000.00, making a total of capital expenditures incurred or to be incurred against which the company has issued no stocks or bonds of \$9,289,419.23.

While recommendation that this application be granted is made, it is with the understanding that any proceeds realized from the sale of stocks and bonds herein authorized to be issued, will be applied first to the capitalization of the expenditures to May 31, 1918, and next to the capitalization of expenditures subsequent to May 31, 1918, and with the understanding that the authority herein granted to issue securities

be not interpreted as an approval of applicant's entire construction program, but only an approval of such program to the extent that securities are herein authorized to be issued. It is not necessary to indicate to the company the order in which it shall carry out its construction program referred to in Exhibits "B," "C" and "E." Such order should in the first instance be left to the judgment of its officers. It is, of course, understood that only expenditures on capital account, as prescribed under the classification of accounts of the Railroad Commission, may be financed through the sale of stock and bonds herein authorized to be issued. Applicant shall file with the Railroad Commission monthly reports showing its entire expenditures on capital account.

The \$3,504,255.57 of uncapitalized capital expenditures incurred prior to May 31, 1918, include \$258,837.50 expended for the purpose of acquiring the stock of the Mount Shasta Power Company, and through such acquisition gain control of the Mount Shasta Power Corporation. Since the acquisition of the stock of the Mount Shasta Power Company, that company has been dissolved with the result that at this time the Pacific Gas and Electric Company owns all of the outstanding stock of the Mount Shasta Power Corporation except shares necessary to qualify directors.

The Mount Shasta Power Corporation, according to the testimony in this proceeding, owns valuable water rights and property on and along the Pit River. Since the Pacific Gas and Electric Company has acquired control of the Mount Shasta Power Corporation, it has advanced to it the sum of \$211,255.34. These advances are not included in the construction expenditures of Pacific Gas and Electric Company, reported in exhibits attached to the petition herein and there is therefore no need for considering them in connection with this application. John A. Britton, vice president and general manager of Pacific Gas and Electric Company, testified that approximately 200,000 horsepower can be developed in the Pit River project at a cost of about \$18,000,000.00. He believes that the work can be completed in four years. While the testimony indicates that Northern California Power Company, Consolidated, claims to own some rights on the Pit River at Big Bend, there is no litigation at this time pending to determine the respective rights of the Mount Shasta Power Corporation and the Northern California Power Company, Consolidated. The latter company entered no protest against the granting of this application. Mr. William B. Bosley, counsel for the Pacific Gas and Electric Company, is satisfied that the Mount Shasta Power Corporation has a valid title to the property referred to as the Pit River project. The determination of the title, if ever questioned, is a matter for the courts and not this commission to decide. I wish, however, to call attention to the fact

that the amount, \$258,837.50, involved in this application and expended by the Pacific Gas and Electric Company for acquiring control of the Mount Shasta Power Corporation, is a relatively small amount when taken into consideration with the properties of the Pacific Gas and Electric Company as a whole. If hereafter it should become necessary, because of failure of title, for Pacific Gas and Electric Company to adjust its accounts, it should make proper adjustments through its corporate surplus account.

I herewith submit the following form of order:

ORDER.

Pacific Gas and Electric Company having applied to the Railroad Commission for authority to issue first preferred stock and bonds as indicated in the foregoing opinion, and a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of said stock or bonds is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Pacific Gas and Electric Company be and it is hereby granted authority to issue \$5,000,000.00 of its 5 per cent general and refunding mortgage bonds, payable January 1, 1942, or \$5,000,000.00 of its 6 per cent first preferred stock, or such portions of either of said bonds or stock as it may elect to issue to the aggregate par value of \$5,000,000.00 upon the following conditions and not otherwise:

1. The bonds herein authorized to be issued shall be sold by applicant for cash at not less than 85 per cent of their face value plus accrued interest.

2. The stock herein authorized to be issued shall be sold by applicant for cash at not less than \$82.50 per share.

3. The proceeds obtained from the sale of the stock or bonds herein authorized to be issued and from the sale of stock heretofore authorized to be issued, shall be used by applicant to reimburse its treasury for capital expenditures incurred prior to May 31, 1918, and for the further purpose of financing the construction expenditures referred to in Exhibits "B," "C" and "E," provided that this authority shall not be interpreted as an approval of applicant's construction program beyond the amount which it will realize from the sale of stock and bonds herein authorized to be issued, or heretofore authorized to be issued.

4. Pacific Gas and Electric Company shall file with the Railroad Commission monthly reports showing in detail all of its expenditures on capital account.

5. On or before the twenty-fifth day of each month applicant shall file with this commission statements as required by this commission's

General Order No. 24, which order, in so far as applicable, is made a part of this order.

6. The authority herein granted shall not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

7. The authority herein granted to issue stock and bonds shall apply only to such stock and bonds as may be issued on or before December 31, 1918.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this thirty-first day of October, 1918.

DECISION No. 5887.

IN THE MATTER OF THE APPLICATION OF WESTERN EMPIRE SUB-URBAN FARMS ASSOCIATION FOR AN ORDER AUTHORIZING THE SALE OF ITS WATER LANDS AND ENTIRE WATER SYSTEM TO A PROPOSED CORPORATION KNOWN AS HAINES CANYON WATER COMPANY.

Application No. 4038.

Decided November 1, 1918.

M. V. Hartranft and C. S. Tappaan, for Western Empire Suburban Farms Association.

LOVELAND, *Commissioner.*

OPINION.

In this application Western Empire Suburban Farms Association asks authority to sell all of its public utility water properties described in Exhibit "1" to the Haines Canyon Water Company. The latter company desires authority to issue \$100,000.00 par value of its common capital stock in exchange for the properties.

Reference is here made to Decision No. 5055, dated January 21, 1918, in which decision the commission established the rates to be charged by the Western Empire Suburban Farms Association and also referred to the history of this water plant, its financing and construction. The decision shows that Mr. A. R. Carter estimated the reproduction cost of the water plant at \$170,720.00, and the reproduction cost less depreciation at \$153,255.72. The original cost of the plant he reported at \$124,825.93. The engineering department of the commission found the cost of the operative properties as of 1916 to be \$44,255.00, the cost of the nonoperative water properties to be \$68,562.00, making a total for the entire water properties of \$112,817.00. Mr. J. W. White, assistant auditor for the Railroad Commission, in the commission's Exhibit No. 4, in Application No. 2912, found the original cost of the plant and system to have been \$117,899.18.

The testimony of M. V. Hartranft, president of Western Empire Suburban Farms Association, shows that the association has a bonded indebtedness of \$48,000.00 against the land department, and other indebtedness of about \$15,000.00 secured by mortgages. The water properties, he reports, are free and clear of all encumbrances. No creditors are said to object to the transfer of the properties. The \$100,000.00 of stock to be received by Western Empire Suburban Farms Association, in exchange for properties, will be held by it as security for its bonded and other indebtedness.

The purpose of this application, as outlined in the evidence, is to separate the public utility properties and business of Western Empire Suburban Farms Association, from the land business in which the corporation is primarily engaged.

M. V. Hartranft reports that no claim would be made, that the amount of stock issued by Haines Canyon Water Company should be considered as a rate base.

I herewith submit the following form of order:

ORDER.

Western Empire Suburban Farms Association having filed with the Railroad Commission an application for authority to sell its properties to the Haines Canyon Water Company in exchange for \$100,000.00 of stock, a public hearing having been held, and the commission being of the opinion that this application should be granted and that the money, property or labor to be procured or paid for by such issue, is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income.

It is hereby ordered that Western Empire Suburban Farms Association be and it is hereby granted authority to sell and transfer to the Haines Canyon Water Company its public utility properties described in Exhibit "1," attached hereto.

It is hereby further ordered that Haines Canyon Water Company be and the same is hereby granted authority to issue \$100,000.00 par value of its common capital stock at not less than par for the purpose of acquiring the aforesaid properties.

The authority herein granted is upon the following conditions and not otherwise:

1. The stock herein authorized to be issued shall never be urged before this commission or other public body as a measure of the value of the properties herein authorized to be transferred for the purpose of fixing rates or any other purpose other than that referred to herein.

2. Haines Canyon Water Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the

proceeds of the sale of the stock herein authorized to be issued and on or before the twenty-fifth day of each month, until all of said stock has been issued and the proceeds disbursed, shall make verified reports to the commission in accordance with the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted to transfer property and issue stock shall apply only to such properties as may be transferred and to such stock as may be issued on or before December 31, 1918.

4. Within thirty days after the transfer of the properties herein authorized Haines Canyon Water Company shall file with the Railroad Commission a verified copy of the instrument of conveyance.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this first day of November, 1918.

EXHIBIT NUMBER "1."

In Exhibit No. "1," filed August 31, 1918, in Application Number 4038, the property to be transferred by the Western Empire Suburban Farms Association to the Haines Canyon Water Company is described as follows:

"All that Real Property, described as follows, to-wit: the West half of the Northwest quarter section seventeen (17), Township 2 North, Range 13 West, S. B. B. & M; also Lot A of the Western Empire Tract, as per Sheet #1, Map book 1, pages 150 & 151, Records of Los Angeles County; also, part of Johnson Rancho, containing about one acre, described as fol: Beg. at Station 9 of the Rancho TuJunga, thence North 20 deg. 0 minutes east 179.25 feet; thence north 62 deg 22 min east 291.50 feet; thence West 398.66 feet; thence South 11 deg 45 min east 302.64 feet to point of beginning, as per Book 1, page 561 patents; also, The westerly 85 feet of Lot 12 in Sunland Villa Tract, as per map recorded in records of Los Angeles County; also lot 372 Los Terrenitos Tract per Map book 24, page 81; also the South half of lot 184 Los Terrenitos Tract as per Map book 23, pages 38 & 39; also the reservoir site as now constructed on the South east quarter of the south east quarter of Section 18 Township 2 North, Range 13 West, S. B. B. & M, approximately on lot number 19 of Tract 2055; all of said real property being in the County of Los Angeles, California. TOGETHER with all water rights and waters appertaining or appurtenant thereto, and pipe lines, diversion works, tunnels, rights of way, licenses, franchises and permits now used and necessary in the operation of the public water utility in and about the Western Empire Tract, Monte Vista valley, California."

DECISION No. 5889.

IN THE MATTER OF THE APPLICATION OF THE WESTERN STATES GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER INCREASING ITS ELECTRIC RATES IN ITS STOCKTON DIVISION.

Application No. 3962.

Decided November 4, 1918.

Application for an order increasing electric rates granted, but held by commission that in adjustment of rates consumers should not be compelled to shoulder burden of taxes levied for war purposes by act of Congress; that such taxes, in this case amounting to approximately \$14,000.00, are not properly chargeable as operating expenses and therefore should be eliminated in arriving at rate increase.

*Chickering & Gregory, and Nutter & Hancock, for Applicant.
Daniel V. Marceau, for cities of Stockton and Placerville.
Arthur L. Lecinsky, for Stockton Electric Railroad Company.*

DEVLIN, *Commissioner.*

OPINION.

This is an application by Western States Gas and Electric Company for an order of the commission increasing electric rates in its Stockton division.

Western States Gas and Electric Company, hereinafter referred to as applicant, alleges that its operating expenses have greatly increased due to the reduction in its available supply of hydroelectric energy; to the increase in the cost of fuel oil used in steam production of energy; to increases in rates for power purchased by it from other public utilities; to increases in wages paid its employees, and to increased taxes and insurance; and further, by reason of the abnormally increased operation of its steam generating plant under the orders of the Power Administrator of California, to supply the deficiency in energy not only on its own system but on systems from which it purchases energy for redistribution.

As a result of the above conditions, applicant states that the return from its electric operations has been and will be so reduced as to prevent it from earning a reasonable return on its investment under existing rates, and that immediate emergency relief is necessary in order to enable it to continue to perform its duty to its consumers in a satisfactory manner.

A hearing was held at Stockton on August 29, 1918, at which time applicant submitted evidence embodying a very complete analysis of its affairs. The matter was then submitted and is now ready for decision.

Western States Gas and Electric Company is engaged in the production, transmission and distribution of electric energy and in the manufacture and distribution of gas in several different sections of the state. In this proceeding, however, we are concerned only with applicant's electric business in the territory known as its Stockton division.

The energy supplied to consumers in the Stockton division is obtained in part from applicant's hydroelectric plant on the American River, supplemented by an auxiliary steam generating plant located in the city of Stockton. The largest portion, however, of applicant's energy supply is purchased from other electric utilities at wholesale. Applicant is supplied by Pacific Gas and Electric Company with energy at Stockton, Natoma and Sacramento, by Great Western Power Company at Sheldon, and by Sierra and San Francisco Power Company at Manteca.

Applicant's electric business in its Stockton division has enjoyed a steady growth for a number of years, and considering the fact that its rates for light and power are lower than those of other similar utilities in the same section of the state, its earnings have been very substantial.

The following compilation (Table I) from the exhibits submitted by applicant, shows the revenue and expense of the electric department, Stockton division, for the years ended June 30, 1917, and June 30, 1918, and an estimate of revenue and expense for the year ending June 30, 1919.

TABLE I.

Western States Gas and Electric Company—Stockton Division.

REVENUES AND EXPENSES, ELECTRIC DEPARTMENT, AS SUBMITTED BY APPLICANT.

	Year ending June 30,		
	1917, actual	1918, actual	1919, estimated
Revenues:			
Gross electric revenues.....	\$699,826 00	\$808,005 00	\$942,211 00
Miscellaneous and nonoperating.....	1,504 00	1,939 00	1,970 00
Total revenue from existing rates...	\$701,330 00	\$809,944 00	\$944,181 00
Operating expenses:			
Production—			
Hydro:			
Maintenance	\$9,149 00	\$7,815 00	\$11,800 00
Operation	13,170 00	12,490 00	14,759 00
Steam:			
Maintenance	913 00	2,537 00	2,775 00
Fuel	9,128 00	11,886 00	61,907 00
Operation	13,489 00	14,012 00	21,955 00
Purchased power	120,891 00	169,036 00	262,801 00
Total	\$166,740 00	\$217,776 00	\$375,997 00
Less energy to other departments.....	9,977 00	13,271 00	14,850 00
Total	\$156,763 00	\$204,505 00	\$361,147 00
Transmission—			
Maintenance	10,890 00	8,275 00	13,190 00
Operation	8,617 00	8,896 00	12,489 00
Distribution—			
Maintenance	13,062 00	12,497 00	18,115 00
Operation	22,427 00	24,482 00	28,735 00
Commercial—			
New business	5,745 00	6,595 00	5,150 00
Other expense	13,848 00	15,305 00	19,368 00
General and miscellaneous.....	71,181 00	72,758 00	88,213 00
Insurance	7,455 00	8,459 00	11,638 00
Taxes	42,486 00	53,565 00	78,331 00
Uncollectible accounts	3,518 00	4,016 00	4,721 00
Total	\$355,992 00	\$419,353 00	\$641,097 00
Net operating revenue available for de- preciation and return.....	\$345,338 00	\$390,591 00	\$303,084 00

Applicant bases its revenues for the year ending June 30, 1919, upon probable increase in its business to meet both the normal growth of the territory it serves, and upon the further expansion of industries and agricultural development in its territory. Applicant bases its operating

expenses for the year ending June 30, 1919, upon the normal increase of its operating expenses to supply its increased business, and upon the extra expenses thereto due to causes set forth above, which include the following:

1. An increase in the energy to be generated by steam during the last six months of the year 1918, partly on account of reduced hydroelectric supply, and partly to supplement the general shortage of power in central California as required by the orders of the Power Administrator.
2. The general shortage of power resulting in a curtailed delivery of energy by the companies from which applicant purchases energy at wholesale.
3. An increase in the cost of fuel oil to applicant from approximately 75 cents per barrel to \$1.60 per barrel, which prices hold until November 1, 1918, and thereafter at \$1.75 per barrel for a period of one year.
4. As a result of Decision No. 5519 of the Railroad Commission, the electric rates of Pacific Gas and Electric Company were modified and increased, with a resultant increase in the cost of power purchased by applicant from Pacific Gas and Electric Company.
5. By Decision No. 5867, Application No. 3958, of Sierra and San Francisco Power Company, the wholesale rate for energy purchased by Western States Gas and Electric Company from Sierra and San Francisco Power Company was increased by 1½ mills per kilowatt hour. This was anticipated in part by applicant in its exhibits herein.
6. During the year ended June 30, 1918, the wages paid to applicant's employees have increased 19.41 per cent on an average.
7. Applicant shows that its expense for insurance will be increased in the future both as a result of increases in the premium rates paid for casualty insurance and increases in pay roll shown above.
8. Applicant's taxes will be similarly increased, due principally to the high rates of federal taxation now being assessed.

The extent to which applicant asks reimbursement for increased operating costs are shown by it as follows:

Increases in cost due to—

Labor	\$28,201 00
Fuel oil for steam plant operation.....	55,335 00
Labor and maintenance for steam plant operation.....	3,491 00
Purchased energy	14,354 00
Insurance	1,243 00
Taxes	18,000 00
Total	<u>\$121,614 00</u>

Several of the items of extra expense set forth above are based upon the changes in costs that have occurred since the year 1915, as, for example, the increase in the cost of oil for fuel and increase both in state and federal tax rates. I think, however, that consideration should not be given in this proceeding to any increased costs except such as are due to abnormal conditions resulting from the war.

In this proceeding we have no basis of value of the electrical plant of applicant's Stockton division other than an inventory and appraisal prepared by H. M. Byllesby & Company as of July 31, 1914, supplemented and brought up to date of June 30, 1918, by the actual book charges to capital account. Applicant further submits a statement of its necessary capital expenditures to electric plant, Stockton division, for the year ending June 30, 1919, and has made certain corrections to the original

Byllesby valuation, for example, the elimination of several items of non-operating property and a reduction in the overhead charges used, and with these modifications presents a figure of capital as of June 30, 1918, in the amount of \$3,488,787.47. From the actual additions and betterments to capital prior to June 30, 1918, and from the estimated additions for the year subsequent to this date, we can deduce from applicant's own figures the following amounts of average capital in its electric properties, Stockton division:

For the year ended June 30, 1917.....	\$3,044,406 00
For the year ended June 30, 1918.....	3,363,321 00
For the year ending June 30, 1919.....	3,605,537 00

Applicant's figures do not include any materials or supplies or working capital, and can be considered only as its estimate of capital invested in physical properties. Making suitable allowance for material and supplies and working cash capital for each of the years above indicated, I arrive at the following figures of average capital:

For the year ended June 30, 1917.....	\$3,165,000 00
For the year ended June 30, 1918.....	3,495,000 00
For the year ending June 30, 1919.....	3,760,000 00

It will not be necessary to pass upon the reasonableness of applicant's figures of capital or to establish herein a return upon a fair value of applicant's properties. We shall make no findings of valuation and will use the figures of capital as submitted by applicant only for the purpose of effecting a comparison between applicant's capital and actual earnings in the past, and as between the corresponding figures under conditions which applicant shows will obtain for the year ending June 30, 1919. Such comparison follows:

For year ending June 30	Average capital	Net operating revenue for depreciation and return	Ratio of net revenue to capital
1917	\$3,165,000 00	\$345,338 00	10.91%
1918	3,495,000 00	390,591 00	11.18%
1919 (estimated)	3,760,000 00	303,081 00	8.06%

The above figures show not only a growth in net operating revenue that has kept pace with the growth of applicant's business, but also clearly evidence the fact that applicant's net earnings have increased in greater proportion than have its capital expenditures. In other words, the conditions shown by applicant's own figures for the year ended June 30, 1918, indicate a more satisfactory return than in any preceding year, and the trend of these figures shows every indication of continued improvement in earning capacity of applicant's properties. The ratio of net operating revenue to capital of 11.18 per cent actually

earned for the year ended June 30, 1918, may be regarded as a net return of 8.93 per cent upon applicant's own statement of capital after the deduction of 2.25 per cent, which I regard as a sufficient depreciation allowance for applicant's electric properties in its Stockton division.

While we do not in this proceeding pass upon the fair value of the applicant's properties, it is not probable that applicant has underestimated its capital in the exhibits herein. If this be true, applicant's electric operations in its Stockton division showed a very substantial profit and return upon its own figures of capital.

In the light of these rather exceptional earnings prior to June 30, 1918, which reflect applicant's ability to meet the increases in expenses that have occurred prior to this date, I will therefore confine myself to a consideration of the additional expenses to which applicant's operations will be subject for the year ending June 30, 1919, over and above the items of expense as they existed during the year ending June 30, 1918.

Applicant prepared its figures of future expense at a time when the prospect of water power shortage during the remaining months of the current year was imminent. Subsequently, decided improvements in weather conditions and rainfall have modified the present shortage of power both on applicant's system and upon the systems from which applicant purchases power. During the months of July, August and September, applicant's steam power plant at Stockton was operated at practically full load by order of the Power Administrator of California. Such operation was discontinued in the early part of October and it now appears that for the remainder of the year applicant will be able to obtain approximately normal supply of energy from its hydroelectric system, and purchase the full required amount from the other utilities supplying it. The operation of applicant's steam plant during the three months above mentioned has resulted in an increased expense to it, which, from the figures submitted by applicant, amounts to approximately \$20,000.00 in excess of normal operating costs.

I propose to determine applicant's operating expenses for the twelve months ending June 30, 1919, on a basis of normal water power conditions after October 1, 1918, and allowing for the expense of steam plant operation under the Power Administrator's orders for the months of July, August and September, on such a basis as will include the costs that will probably hold during this period.

For the year ending June 30, 1919, applicant states that its sales of electricity will be 51,297,860 kilowatt hours, for which it will be necessary to generate and purchase a total of 64,943,510 kilowatt hours, the difference being the loss incident to transmission and distribution of

energy. This supply, under conditions estimated from the evidence presented, would be obtained as follows:

From—	Kilowatt hours
Applicant's hydroelectric plant.....	26,792,000
Applicant's steam plant.....	2,735,910
Total generated	29,527,910
Sierra and San Francisco Power Company.....	11,263,000
Great Western Power Company.....	942,600
Pacific Gas and Electric Company:	
Stockton	7,900,600
Natoma	15,016,300
Sacramento	300,000
Total energy purchased.....	35,416,500
Total energy generated and purchased.....	64,943,510

Applicant's estimated operating expense for the year ending June 30, 1919, as shown in the third column of Table I preceding, appears to be a reasonable estimate of the expenses which will have to be met, with the following exceptions.

Applicant has estimated the sum of \$61,970.00 for fuel oil, and \$21,955.00 for steam production operation, and based this assumption upon the necessity for continuous operation of steam power for the last six months of 1918. The operation of this steam plant was required only for July, August and September, 1918, as hereinbefore set forth, and it does not appear that for the remainder of the developments applicant will be required to produce by steam in excess of the normal stand-by operation. I believe that applicant's steam plant operations for a year under actual conditions and at the price for oil and labor, which applicant is now required to meet, will not exceed \$35,250.00 for fuel oil, and \$20,354.00 for steam power plant operation. I shall use these figures in place of those submitted by applicant for these two items.

Applicant has estimated its cost of purchased power for the year ending June 30, 1919, as \$262,801.00. The amount of power to be purchased by applicant in this period is very much in excess of the amounts purchased in preceding years, and the price of such power has been increased as a result of the rate increases heretofore granted by this commission to Pacific Gas and Electric Company in Decision No. 5519, and to Sierra and San Francisco Power Company in Decision No. 5867. Not only has the power purchased from Pacific Gas and Electric Company been increased by the surcharge fixed in Decision No. 5519, but the basic rate itself has been modified since the former contracts have been considered as deviations, and applicant has been placed upon the

regular resale schedule of Pacific Gas and Electric Company. Also the amount of energy purchased will be greater than shown by applicant due to reduction in steam plant operation. These considerations have required a recomputation of the cost of purchased power from the several companies supplying applicant. Under the rates that now prevail and charged applicant by Pacific Gas and Electric Company and Sierra and San Francisco Power Company and Great Western Power Company, the cost of purchased power to applicant to supply the amounts set forth above for the year ending June 30, 1919, has been estimated by the commission's gas and electric division as \$277,900.00. This figure I shall adopt in lieu of applicant's original estimate.

Applicant has included as operating expenses for the year ending June 30, 1919, the sum of \$78,331.00 for taxes. This item is composed of the state tax on gross revenue, franchise tax payable to the city of Stockton, certain nonoperative taxes and federal income, stock and coupon taxes. The federal taxes to which applicant is liable show an enormous increase over those paid in preceding years, resulting from present and proposed higher rates of federal taxation to meet war expenses. Considerable discussion has been had and some difference of opinion exists as to who should ultimately pay what may be called the war tax charged a public utility; that is, whether the consumers should pay the same by allowing such taxes to the utility as operating expenses, or whether they should be borne by the utility itself.

What may be termed ordinary taxes, federal, state and municipal, have been uniformly recognized as proper operating expenses and such taxes will be allowed herein as operating expenses. It does seem illogical, however, that when the federal government attempts to impose upon the security holders of a corporation, whether public utility or nonpublic utility, a certain tax upon income for war purposes or to meet a national emergency, that the purpose and spirit of such law should be thwarted by the utility passing such taxes along to its consumers as an operating expense to be collected in rates.

The question then arises as to where the line should be drawn to distinguish between the ordinary federal, state and municipal taxes and the war emergency taxes. The answer to this, it seems to me, is in the act of Congress passed October 3, 1917, entitled "An Act to Provide Revenue to Defray War Expenses and for Other Purposes," which is supplementary to the act of Congress entitled "An Act to Increase the Revenue, and for Other Purposes," approved September 8, 1916. This act, by its title and text, declares for the collection of taxes for war purposes.

Previous to the enactment of the act of October 3, 1917, the federal income tax assessable against applicant was on the basis of 2 per cent per annum; by the terms of said act such tax was increased to 6 per cent per annum. At the present time legislation is pending before

Congress which, when finally enacted, will undoubtedly result in a very substantially increased tax rate over that provided for in the act of October 3, 1917.

I am compelled to take the view that both the letter and the spirit of the existing federal war revenue law (and it is but fair to assume likewise of any new law enacted for the same purpose during the present session of Congress) clearly contemplates the payment by the owners of utilities of that part of the tax assessed for war purposes provided for therein. This purpose would be defeated by allowing same as operating expenses and thereby imposing same on the consumers of utilities through rates.

I have, therefore, made a segregation of the income taxes allowing as operating expenses so much thereof as was assessed against applicant by federal law prior to the act of October 3, 1917. Any increases over that, due to war conditions, should be borne by the security holders of the utility. Likewise, and for the same reasons, the increased taxes on capital stock, coupons, and other increases of a similar character are chargeable to the utility and not to the consumer thereof. I have, therefore, reduced applicant's item of taxes from \$78,331.00 to \$62,646.00, which latter is the amount applicant would be required to pay for existing state and franchise taxes and for federal taxes as heretofore levied.

In all other respects I believe applicant's estimated expenses for the year ending June 30, 1919, are reasonable and include them in the following statement (Table II) of revenue and expenses for the year ending June 30, 1919.

TABLE II.

*Western States Gas and Electric Company, Electric Department, Stockton Division.
Revenue and Expenses for the Year Ending June 30, 1919.*

Revenue from existing rates-----	\$944,181
Operating expenses:	
Production—	
Hydro maintenance -----	\$11,800
Operation -----	14,759
Steam maintenance -----	2,775
Fuel oil -----	35,250
Operation -----	20,354
Purchased power -----	277,900
	\$362,838
Less energy to other departments-----	14,850
Total production expense-----	\$347,988
Transmission maintenance and operation-----	25,679
Distribution maintenance and operation-----	46,850
Commercial -----	24,518
General and miscellaneous -----	88,213
Maintenance -----	11,638
Taxes -----	62,646
Uncollectible accounts -----	4,721
Total operating expenses-----	612,253
Net operating revenue-----	\$331,928

On this basis applicant will earn from existing rates on its business which it estimates will occur for the year ending June 30, 1919, and with the expenses which it will be required to pay during such period, at the costs which will prevail, a net operating revenue of \$331,928.00.

This net operating revenue is \$58,663.00 less than that actually earned during the year ended June 30, 1918. A comparison with applicant's estimated capital for the year ending June 30, 1919, shows that existing rate will yield 8.64 per cent on capital for depreciation and return. Not only will applicant's net operating revenue be reduced, but the percentage of return on capital will be likewise affected. Previous to June 30, 1918, applicant's business demonstrated the ability to earn a substantial return, as disclosed by applicant's own figures herein, and its return for the year ending June 30, 1918, was sufficiently large to indicate that applicant was able to meet all rising costs that occurred previous to this date.

Applicant's rates for electricity in its Stockton division, as have been earlier pointed out, are lower than the rates charged by similar utilities operating in similar territory in California. Applicant's financial structure rests largely upon its ability to continue such earnings. I do not, however, believe that under present emergency conditions applicant's former net earnings should necessarily be reestablished. It should also carry some of the burden resulting from present abnormal economic conditions.

During the two years preceding June 30, 1918, applicant earned a net operating revenue which averaged slightly over 11 per cent of its capital for depreciation and return. This represents approximately 8.75 per cent for return after the deduction of 2.25 per cent for depreciation. I am of the opinion that no undue burden will result to applicant's consumers if applicant's net operating revenue be so increased as to produce, under conditions as estimated for the year ending June 30, 1919, a net income of 10.25 per cent for return and depreciation on applicant's own figures of capital. To thus replenish applicant's earnings will require an increase in the rates for electricity in the Stockton division, which I believe can be most satisfactorily met in the form of surcharges to existing rates. I recommend the following surcharges to be added to the charges for electricity fixed by applicant's filed schedules and contracts to meet the present emergency situation:

For energy sold for domestic, commercial and municipal metered lighting service, other than street lighting	5	mills per kilowatt hour
For flat rate lighting service, other than street lighting	5	per cent of monthly bill
For energy sold for power service	1	mill per kilowatt hour
For energy sold for electric railway service and to other electric utilities for resale	$\frac{1}{2}$	mill per kilowatt hour

The effect of these proposed surcharges on applicant's revenue for the year ending June 30, 1919, is as follows:

	Estimated sales, K. W. H.	Revenue from existing rates	Proposed surcharge	Annual increase in revenue
Commercial flat rate lighting.....	179,000	\$9,083 00	5%	\$454 00
Commercial lighting metered.....	6,745,000	330,648 00	5 mills	33,725 00
Commercial power	30,605,860	370,984 00	1 mill	30,606 00
Agricultural power	4,638,000	119,965 00	1 mill	4,638 00
Railway power	6,460,000	60,387 00	$\frac{1}{2}$ mill	3,230 00
Municipal street lighting.....	1,185,000	50,544 00		
Company use	1,485,000			
Total	51,297,860	\$941,611 00		\$72,653 00

The surcharges herein set forth will result in a net operating revenue slightly in excess of 10.25 per cent of capital when applied on a full year's business. The figures submitted by applicant are conservative as regards estimated expenses, and liberal in its estimates of probable sales and revenue. Further increases in wages and in the cost of materials will undoubtedly occur during the period considered, for which no allowance has been made. Applicant will also be required to pay additional taxes on the increased revenues resulting from the above surcharges. Under the present emergency conditions and from the evidence presented in this case, I believe that the surcharges set forth above should be granted and consideration given at some later date as to whether a modification of these surcharges is necessary.

I desire to point out that applicant's rates, when modified by the surcharges herein proposed, will still be lower in nearly all respects than the corresponding rates of other utilities serving in this section of the state. Notwithstanding the low rates charged its consumers, applicant has succeeded in rendering a high standard of service, has successfully maintained its properties and has kept pace with the growth of the territory it serves.

I submit the following form of order:

ORDER.

Western States Gas and Electric Company having applied to the Railroad Commission of the state of California for an order increasing electric rates in its Stockton division, a hearing having been held, the matter submitted and now ready for decision, I find as a fact that the charges for electricity of Western States Gas and Electric Company in its Stockton division, as set forth in the schedules of rates and contracts on file with the Railroad Commission of the state of California, are not fair or reasonable rates under present emergency con-

ditions in that they do not provide applicant with a return commensurate with the existing cost of supplying electricity, and in so far as such charges differ from the charges for electricity hereinafter established, which charges are found to be fair and reasonable charges under existing conditions.

Basing its order upon the foregoing findings of fact and upon the findings of fact contained in the opinion which precedes this order,

It is hereby ordered that Western States Gas and Electric Company be and is hereby authorized to charge and collect for electricity in its Stockton division, in addition to the charges fixed by its rate schedules and contracts on file with the Railroad Commission of the state of California, the following surcharges, to wit:

For energy sold for domestic, commercial and municipal metered lighting service, other than street lighting	5	mills per kilowatt hour
For flat rate lighting service, other than street lighting	5	per cent of monthly bill
For energy sold for power service	1	mill per kilowatt hour
For energy sold for electric railway service and to other electric utilities for resale	$\frac{1}{2}$	mill per kilowatt hour

Which surcharges shall apply on all regular meter readings taken on and after the tenth day of November, 1918.

Provided Western States Gas and Electric Company shall, within ten days of the date of this order, file with the Railroad Commission of the state of California, an amended schedule of rates which shall set forth the surcharges herein authorized, and further provided that Western States Gas and Electric Company shall designate separately on bills rendered its consumers for electricity in its Stockton division the surcharges herein authorized.

It is further ordered that Western States Gas and Electric Company shall file with the Railroad Commission on or before the twentieth day of each month a statement of its revenues, operating expenses and additions to capital for the preceding month and such other information as the Railroad Commission may hereafter designate.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this fourth day of November, 1918.

DECISION No. 5891.

IN THE MATTER OF THE APPLICATION OF CALIFORNIA-MICHIGAN
LAND AND WATER COMPANY FOR PERMISSION TO ISSUE A NOTE
AND EXECUTE AND DELIVER A REAL ESTATE MORTGAGE.

Application No. 4194.

Decided November 4, 1918.

LOVELAND, *Commissioner.*

OPINION.

California-Michigan Land and Water Company asks authority to issue a 6 per cent \$20,000.00 note, payable November 29, 1919, and to execute a real estate mortgage securing the payment of the note.

Applicant reports that on November 29, 1911, it entered into a contract to purchase a tract of land from Lucy C. Lantz for the sum of \$54,000.00. The payment of this amount was secured by a real estate mortgage. Of the \$54,000.00 applicant has paid \$34,000.00, leaving \$20,000.00 unpaid. Because of the statute of limitation, Lucy C. Lantz asks the company to issue to her a new note payable November 29, 1919, and secure the payment of the note by the execution of a mortgage substantially in the same form as the mortgage attached to the petition and marked Exhibit "A."

As set forth in the commission's Decision No. 5119, dated February 7, 1918, applicant is engaged in real estate and public utility water business in South Santa Anita and East Pasadena. The mortgage which applicant desires to execute covers both public and nonpublic utility property. The note will be the obligation of the corporation and no claim is made that it should be, in its entirety, paid out of the earnings of the public utility business. Reports on file with the commission show that the company charges three-fourths of its interest on its indebtedness to its land department and one-fourth to its public utility operations.

I herewith submit the following form of order:

ORDER.

California-Michigan Land and Water Company having applied to the Railroad Commission for authority to issue a \$20,000.00 note and execute a mortgage, a public hearing having been held, and the commission being of the opinion that this application should be granted,

It is hereby ordered that California-Michigan Land and Water Company be and it is hereby authorized to issue a 6 per cent \$20,000.00 note, payable November 29, 1919, to Lucy C. Lantz and to execute a mortgage securing the payment of said note substantially in the same form as the

mortgage attached to the petition herein and marked Exhibit "A," upon the following conditions:

1. The proceeds of the note herein authorized to be issued shall be used by California-Michigan Land and Water Company to liquidate the indebtedness referred to in paragraph 5 of the petition herein.

2. The \$20,000.00 note shall be issued so as to be the obligation of California-Michigan Land and Water Company, a corporation.

3. The approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject.

4. California-Michigan Land and Water Company shall, within sixty days after the date hereof, file with the Railroad Commission a statement showing the terms and conditions of the note issued pursuant to the authority herein granted.

5. The authority herein granted shall not become effective until California-Michigan Land and Water Company has paid the fee prescribed by the Public Utilities Act.

6. The authority herein granted shall apply only to such note as may be issued and to such mortgage as may be executed within fifty days after the date hereof.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this fourth day of November, 1918.

DECISION No. 5892.

IN THE MATTER OF THE APPLICATION OF BELL ELECTRIC COMPANY
FOR AN ORDER OF THE RAILROAD COMMISSION AUTHORIZING
SAID COMPANY TO INCREASE RATES FOR ELECTRIC ENERGY
SOLD BY IT.

Application No. 3979.

Decided November 4, 1918.

Frank R. Bell, for Applicant.

Fred Tuttle and *A. C. Lowell*, for the city of Auburn.

J. D. Stewart, *W. B. Lardner* and *M. V. Liniker*, in *propria persona*.

BY THE COMMISSION.

OPINION.

Frank R. Bell and others, partners under the name and style of Bell Electric Company, apply for authority to increase rates for electric energy sold and distributed in and about Auburn, Placer County.

A public hearing upon the application was held by Examiner Westover at Auburn on August 30.

It was stipulated at the hearing that applicant would subsequently prepare and file a segregation of certain items of expense, the city reserving the right to cross-examine or submit further evidence thereafter if so advised. The city advised on October 26 that it would submit the case without cross-examination or testimony and the matter is therefore now ready for decision.

The testimony shows that applicant's gross revenue has materially decreased during the past year, while its operating costs have increased very greatly.

The total number of applicant's consumers in 1917 was approximately 5.75 per cent less than its consumers for 1916; and figures for 1918 indicate a still greater percentage of reduction. Besides the loss in number of consumers, a reduction in the amount of energy consumed has resulted from governmental restrictions on the use of energy and the Daylight Saving Act, thus further reducing gross revenue.

The increase in cost of operation is due to increased costs of materials and labor. In addition to this is the increased cost of energy purchased, which became effective July 10, 1918, through the commission's Decision No. 5519, upon Application No. 3459, by which it authorized Pacific Gas and Electric Company to increase its rates. But for this necessary increase, applicant's cost of energy purchased would be about \$600.00 less for 1919 than estimated hereinafter.

In the city of Auburn the residences are scattered over a relatively large territory. Records of the commission show that applicant's expenses are noticeably higher than those of other like utilities serving a corresponding number of consumers, even after due allowance has been made for the more extensive area served.

Applicants expressed a willingness to share with their consumers the increases in costs of operation due to the present war conditions and do not ask a full return on their investment.

Applicants are members of the family of F. H. Bell, who originally established applicant's business many years ago. It is now conducted in connection with a general electric and supply business, making possible a number of economies in operation.

From a study of applicant's Exhibit No. 4, which constitutes a segregation of commercial, general and distribution expense for the year 1917, and the first six months of the year 1918, we are firmly of the opinion that many economies may be effected. It has been the practice of applicant in the past to pay a salary of \$2,400.00 per year to Mrs. Virginia J. Bell, as administratrix of the estate of F. H. Bell. Inasmuch as a fair salary is paid to Mr. F. R. Bell as manager, we do not

believe that any of this annual payment to Mrs. Bell should be allowed as an item of operating costs.

Prior to the hearing in this matter, the commission's engineering department made a physical valuation of applicant's electric properties, finding the reproduction cost to be \$51,527.00. Testimony of Mr. F. R. Bell, manager, was to the effect that while he had not found an opportunity to make a complete check of our engineer's inventory and cost units, there were some items which he had not found listed. We believe that no items which would materially affect our conclusions in this matter have been omitted.

The following table compiled from applicant's annual reports, now on file with this commission, and from evidence in this proceeding, sets forth capital, operating expense and income for the years 1915, 1916, 1917, also an estimate for the year 1919 based on operations during the first six months of 1918, and including increased cost of purchased power. Attention is called to the estimate of capital for the year 1919, in amount \$60,000.00. This estimate includes, in addition to normal additions and betterments which will be required, and working capital, an amount of \$5,500.00, the estimated cost of completing the series street lighting system. This matter of street lighting will be discussed further hereinafter.

Capital, Revenue and Expenses, Bell Electric Company.

	1915	1916	1917	1917, corrected	1919, esti- mated present rates
Capital—based on Commission's 1918 valuation, with addition of \$2,000.00 for working capital	\$48,980	\$51,069	\$52,980	\$52,980	\$60,000
Operating revenue	24,227	24,638	24,630	24,630	21,922
Operating expense—					
Energy purchased				8,198	7,350
Distribution				3,479	4,660
Commercial				1,698	1,700
General				5,676	7,313
Taxes				1,411	1,420
Total	18,270	18,810	20,531	\$20,442	\$21,760
Net income	\$5,957	\$5,828	\$4,099	\$4,187	\$162
Earnings for return and depreciation.	12.15%	11.4%	7.73%	7.91%	.27%

From the above it is seen that applicant's rate of return in 1915 and 1916, after deducting depreciation of about 3 per cent on capital invested, was at least reasonable, while 1917 shows a marked reduction. Continued operation under present rates, according to our estimate, would bring about a very serious condition by the end of 1919. For each year above shown the \$2,400.00 payment to Mrs. Bell has been deducted. The rates as set forth in the order herewith are designed

to give partial relief only, it being the opinion of this commission that it is possible for applicant to effect economies which, together with the rate increases provided, will earn a reasonable amount on capital invested under the present emergency when it must be expected that all share in the burdens resulting from the war conditions.

Testimony in this matter disclosed the fact that for a period of several years the street lighting system in Auburn has been the subject of heated controversy. The system is admittedly obsolete and inadequate, energy being supplied from the general lighting system of the company. In the past the street lights have been permitted to burn 24 hours per day because of the fact that no means has been provided for switching them off without at the same time interrupting general lighting service. Mr. F. R. Bell testified that his company started about two years ago to install a modern series street lighting system and because of the fact that he could not come to an agreement with the city trustees on a satisfactory rate for such service, he was obliged to stop construction. It is to be lamented that the matter was not placed in the hands of the commission at that time, because there is little doubt but that a rate satisfactory to all concerned could have been established, and the utility ordered to proceed with the installation.

At the hearing in this matter, Mr. Bell asked that the commission fix a rate which may be applied to that portion of the series system already installed, and to any extensions thereof which may be made in the future. There is no question as to the desirability of such a system and we recommend that as soon as the use of materials for such work is permitted by the federal authorities, applicant at once proceed with this work.

ORDER.

Bell Electric Company having made application to the Railroad Commission of the state of California for authority to increase its rates, a public hearing having been held, and the matter having been submitted and being now ready for decision, the Railroad Commission hereby finds as a fact that the existing rates of Bell Electric Company are unjust and unreasonable in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates.

Basing its order on the foregoing findings of fact and on each statement of fact contained in the opinion which precedes this order,

It is hereby ordered that Virginia J. Bell, Frank R. Bell, Mio M. Marsh, Viola V. Yocco, Ida D. Miller and Eugene W. Bell, partners under the name and style of Bell Electric Company, are hereby authorized to charge and collect the following rates for the respective classes of electric service specified. These rates shall be applied to all meter readings taken on and after November 15, 1918.

SCHEDULE "A."

Residence and Commercial Lighting.

First 30 kilowatt hours, per month-----	9 cents per kilowatt hour
Next 70 kilowatt hours, per month-----	8 cents per kilowatt hour
Next 100 kilowatt hours, per month-----	7 cents per kilowatt hour
Next 300 kilowatt hours, per month-----	6 cents per kilowatt hour
Next 500 kilowatt hours, per month-----	5 cents per kilowatt hour
All over 1000 kilowatt hours, per month-----	4 cents per kilowatt hour
Minimum bill, \$1.00 per meter per month.	

SCHEDULE "B."

General Power.

First 60 kilowatt hours, per horsepower per month-----	4½ cents
Next 60 kilowatt hours, per horsepower per month-----	2½ cents
All over 120 kilowatt hours, per horsepower per month-----	1½ cents
Minimum charge, \$1.00 per horsepower per month.	

SCHEDULE "C."

Municipal Lighting.

MULTIPLE SYSTEM.

32-candlepower lamp -----	\$1 00 per month each
16-candlepower lamp -----	85 per month each

SERIES SYSTEM.

40-candlepower lamp or less, \$12.00 per year plus 8 cents per 100 lamp hours.
60-candlepower lamp, \$13.40 per year plus 10 cents per 100 lamp hours.
80-candlepower lamp, \$15.00 per year plus 15 cents per 100 lamp hours.
100-candlepower lamp, \$18.00 per year plus 20 cents per 100 lamp hours.
250-candlepower lamp, \$25.00 per year plus 40 cents per 100 lamp hours.

Annual charges herein payable in equal monthly installments.

SCHEDULE "D."

The Schedule "D" now on file shall remain unaltered.

The above authority is upon the condition that said applicants file the above schedules herein designated with the Railroad Commission on or before ten days from date hereof.

Dated at San Francisco, California, this fourth day of November, 1918.

DECISION No. 5894.

IN THE MATTER OF THE APPLICATION OF EAST BAY WATER COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS.

Application No. 4128.

Decided November 4, 1918.

McKee & Tashcira, by A. G. Tashcira, for Applicant.

EDGERTON, *Commissioner.*

OPINION.

East Bay Water Company asks authority to issue \$131,966.91, face value, of its 5½ per cent first mortgage 30-year bonds, payable January 1, 1946.

Applicant reports that from January 1, 1917, to June 30, 1918, it has expended on capital account the sum of \$164,958.64 against which no stock, bonds, notes or other evidences of indebtedness have been issued. To reimburse its treasury in part because of expenditures, applicant intends to issue bonds in an amount equal to 80 per cent of said construction expenditures or in the sum of \$131,966.91. Of the bonds, applicant reports it will use \$102,000.00 for the purpose of securing in part the payment of the \$1,250,000.00 of 5-year notes, the issue of which was authorized by Decision No. 5674, dated August 10, 1918.

Financial statements submitted by applicant show that its net earnings for the year ending September 30, 1918, have been more than one and one-half times the interest on its outstanding bonds and those it now desires authority to issue.

I herewith submit the following form of order:

ORDER.

East Bay Water Company having applied to the Railroad Commission for authority to issue \$131,966.91 face value of bonds, a hearing having been held, and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that East Bay Water Company be and it is hereby granted authority to issue \$131,966.91 face value of its 5½ per cent first mortgage 30-year bonds, payable January 1, 1946, for the purpose of reimbursing in part its treasury for expenditures on capital account from January 1, 1917, to June 30, 1918, provided:

1. The bonds herein authorized are sold for not less than 92½ per cent of their face value, plus accrued interest, or pledged as collateral security for the payment of \$1,250,000.00 of 5-year notes, the issue of which was authorized by Decision No. 5674, dated August 10, 1918, said bonds to be pledged at such ratio as will render the notes legal investments for savings banks under the Bank Act of California, or at the ratio of \$125.00 face value of bonds for each \$100.00 face value of notes issued.

2. East Bay Water Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds from the sale of the bonds herein authorized to be issued, and on or before the twenty-fifth day of each month shall make verified reports to the Railroad Commission in accordance with the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

4. The authority herein granted shall apply only to such bonds as may be issued on or before March 31, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this fourth day of November, 1918.

DECISION No. 5901.

IN THE MATTER OF THE APPLICATION OF ONTARIO POWER COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF SERIAL GOLD NOTES.

Application No. 4173.

Decided November 6, 1918.

EDGERTON, *Commissioner.*

OPINION.

Ontario Power Company asks authority to issue, at par, \$7,000.00 of its 7 per cent serial gold notes.

Applicant reports that because of an increased demand for power for irrigation pumping it has been obliged to build a 10,000 volt power line, approximately 5½ miles in length, at a cost of \$5,435.36; that to care for the increased pumping load it has purchased 10 transformers at a cost of \$4,079.35 and that it has built a transformer house at a cost of \$181.70, making a total expenditure of \$9,696.41.

Under the agreement executed pursuant to the authority granted in Decision No. 5535, dated July 1, 1918, applicant may issue its serial notes in an amount equal to 80 per cent of the cost of permanent improvements and betterments. To reimburse its treasury in part because of the foregoing expenditures, applicant intends to issue \$7,000.00 of its serial notes.

I herewith submit the following form of order:

ORDER.

Ontario Power Company having filed with the Railroad Commission an application for authority to issue \$7,000.00 of its 7 per cent serial gold notes, a hearing having been held and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Ontario Power Company be and it is hereby granted authority to issue on or before June 30, 1919, at not less than par, \$7,000.00 face value of its 7 per cent serial gold notes for the purpose of reimbursing its treasury and financing in part the acquisition of the properties referred to in the petition herein, provided:

1. The authority herein granted shall not become effective until Ontario Power Company has paid the fee prescribed in the Public Utilities Act.

2. Ontario Power Company keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the notes herein authorized to be issued, and on or before the twenty-fifth day of each month, until all of the proceeds shall have been disbursed, make verified reports to the commission in accordance with the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this sixth day of November, 1918.

DECISION No. 5902.

IN THE MATTER OF THE APPLICATION OF EDGAR S. NYE FOR AN ORDER PERMITTING HIM TO DISCONTINUE THE OPERATION OF A WATER SYSTEM AT RIVERSIDE PARK SUBDIVISION, AT SANTA CRUZ, CALIFORNIA.

Application No. 3994.

Decided November 6, 1918.

Wilder Anthony, for consumers.

DEVLIN, *Commissioner*.

OPINION.

This is an application by Edgar S. Nye to discontinue the operation of a public utility water system in Riverside Park Subdivision adjoining the town of Ben Lomond, Santa Cruz County.

The application alleges in effect that the water plant is almost entirely depreciated, that applicant is financially unable to replace it, that the Mountain Light and Water Company is operating a public utility water system in Ben Lomond and vicinity and is able and willing to extend service to the district now served by applicant.

Public hearing was held at Santa Cruz.

The evidence shows that the Mountain Light and Water Company offered to install a system to serve applicant's consumers provided they would make application for service.

The quantity of water delivered by applicant to his consumers is insufficient for their needs. This condition can not be remedied unless a complete new system of pipes is installed. Service will be much improved if the Mountain Light and Water Company extends its system to serve this subdivision.

I am, therefore, of the opinion that public convenience will be furthered by the granting of this application, and shall so recommend.

ORDER.

Edgar S. Nye, applicant in the above-entitled proceeding, having made application for authority to discontinue the operation of a public utility water system, and a public hearing having been held and the commission being fully advised in the premises,

It is hereby ordered that Edgar S. Nye be and he is hereby authorized to discontinue the operation of the public utility water system in Riverside Park Subdivision adjoining the town of Ben Lomond, Santa Cruz County, California.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this sixth day of November, 1918.

DECISION No. 5903.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS.

Application No. 3557.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS.

Application No. 3963.

Decided November 6, 1918.

By THE COMMISSION.

SIXTH SUPPLEMENTAL ORDER.

San Joaquin Light and Power Corporation having filed with the Railroad Commission statements showing that it has expended for construction from September 1, 1918, to September 30, 1918, both dates inclusive, the sum of \$114,672.45, and having asked the Railroad Commission for authority to use the proceeds of \$114,672.45 face value of Series "C" 6 per cent bonds authorized to be issued by Decisions Nos. 5215 and 5377 and Decision No. 5618, to finance said construction expenditures, and it appearing to the Railroad Commission that of the

expenditures referred to \$112,551.45 represents capital expenditures which may be properly paid from the proceeds of bonds; now, therefore,

It is hereby ordered that San Joaquin Light and Power Corporation be and it is hereby authorized to use the proceeds from \$112,551.45 of Series "C" 6 per cent bonds authorized to be issued pursuant to Decision No. 5215, dated March 18, 1918, Decision No. 5377, dated May 2, 1918, and Decision No. 5618, dated July 22, 1918, for the purpose of financing its capital expenditures from September 1, 1918, to September 30, 1918, both dates inclusive, other than those expenditures incurred against Estimates Nos. 193; 194; 195; 498; 499; 605 and 2643.

Dated at San Francisco, California, this sixth day of November, 1918.

DECISION No. 5910.

IN THE MATTER OF THE APPLICATION OF EMMA H. ROSE, ANNA G. LANE AND HOBART ESTATE COMPANY, A CORPORATION, FOR LEAVE TO DISCONTINUE OPERATION OF THE DOUGLAS DITCH IN EL DORADO COUNTY, CALIFORNIA.

Application No. 3006.

FAIRPLAY WATER USERS ASSOCIATION

vs.

EMMA H. ROSE, ANNA G. LANE AND HOBART ESTATE COMPANY,
A CORPORATION.

Case No. 1128.

Decided November 12, 1918.

BY THE COMMISSION.

ORDER DENYING REHEARING AND MODIFYING ORDER.

It appearing from the amended and supplemental petition for rehearing and the answer thereto that applicants and defendants have offered to their patrons using water from the Douglas ditch for irrigation purposes, to pay them the fair value of their lands irrigated, if they would agree that water service through said ditch might be discontinued; and that said patrons have refused to accept said offer or to consent to a discontinuance of water service; and said offer appearing to the commission to be just and reasonable, and applicants and defendants having recently expressed to the commission a willingness to pay to their patrons the total sum of \$500.00 as consideration for such discontinuance of service; and it appearing from the facts set forth in the original opinion that said Douglas ditch can not be operated by its owners without great financial loss and then only after investing large sums for reconstruction purposes; and it now appearing to the commission that applicants and defendants should be permitted to discontinue service of water through said Douglas ditch, and that a rehearing is not required.

It is hereby ordered that the petition for rehearing herein be and it is hereby denied.

It is hereby further ordered that the original order herein of January 19, 1918, contained in Decision No. 5058, be and it is hereby modified so that the portion thereof following the first paragraph will read as follows:

It is hereby ordered that all interested parties make a genuine effort to agree upon terms upon which service of water through Douglas ditch may be discontinued; that verified written report be made to the commission by the parties either jointly or separately, as to such terms agreed upon; or in the event of disagreement, such fact be stated and the points of disagreement be indicated; that such reports be filed within thirty days from date hereof, and thereafter the commission will make an appropriate order herein.

Dated at San Francisco, California, this twelfth day of November, 1918.

DECISION No. 5911.

IN THE MATTER OF THE APPLICATION OF LOS ALTOS WATER COMPANY FOR AUTHORITY TO INCREASE RATES FOR WATER.

Application No. 3968.

Decided November 12, 1918.

W. M. Denhart, for Applicant.

Chas. B. McDuffie, for Consumers.

BY THE COMMISSION.

OPINION.

Los Altos Water Company, serving water for domestic use to about 125 consumers in and about Los Altos, Santa Clara County, applies for authority to increase rates as shown in the following table:

Los Altos Water Company—Present and Proposed Rates per Thousand Gallons.

	Present	Proposed	Proposed†
For first 4,000 gallons.....	\$1 25		
4,000 to 10,000 gallons at.....	25	30	
Over 10,000 gallons.....	20	25	
Minimum charge per month.....	1 25	1 75	
For first 5,000 gallons.....			\$2 00
5,000 to 10,000 gallons.....			30
Over 10,000 gallons.....			25
Minimum.....			2 00

*Proposed rates in original townsite of Los Altos.

†Proposed rates outside original townsite of Los Altos.

A public hearing upon the application was held by Examiner Westover at Los Altos.

Applicant was incorporated October 19, 1907, by owners of the Altos Land Company for the primary purpose of supplying water to lands which that company was marketing.

Applicant does not ask fixing of a rate which will provide a return upon the original investment nor an allowance to cover depreciation on the original plant for the express reason that the primary purpose of the original installation was to sell real estate in which the projectors were interested. It does, however, ask a suitable allowance for depreciation upon additions and betterments installed, which they state cost \$6,315.08, but it asks no return upon such additions and betterments.

In representing the earlier application for the establishment of rates resulting in Decision No. 1379, above referred to, applicant showed an original cost of its system installed of \$30,366.52, with new equipment during 1914 costing \$2,424.48, or a total of \$32,791.00 to the time of the original hearing without allowance for engineering or superintendence.

Applicant's revenue and expenses for five years ending December 31, 1917, as shown by its annual reports, placed in evidence in this proceeding, with the average number of its consumers year by year is shown in the following table:

Revenue and Expense for Five Years Ending December 31, 1917.

	1913	1914	1915	1916	1917	*1918
Consumers -----	82	82	81	108	111	120
Revenue -----	\$2,308 19	\$3,357 11	\$2,989 83	\$4,049 78	\$3,547 30	\$3,668 00
Expense -----	4,539 59	3,087 28	3,071 55	2,909 31	3,322 17	3,722 00
	-\$1,831 40	+\$269 83	-\$81 72	+\$1,140 47	+\$225 13	-\$54 00

*Estimated.

Applicant's gross revenue from water sale for the six months ending June 30, 1918, was \$1,834.00 and its general and operating expenses for the same period amounted to \$926.83, aside from cost of superintendence and clerical help. The principal items of this expense are \$300.00 salary for pump operator, rent \$60.00, power \$368.72, repairs \$50.66 and miscellaneous incidental expenses, including \$31.00 for corporation taxes for the year.

Mr. Wm. Stava, one of the commission's hydraulic engineers, has checked the statement of additions and betterments against map of its system and reports that he considers applicant's figures reasonable. He estimates that a suitable allowance for depreciation on such additions and betterments, estimated upon a 6 per cent sinking fund basis, will be \$172.00 per year. His estimated expense of maintenance and

operation for the year 1918, including the removal, repairing and replacing the deep well pumps will amount to \$2,350.00 without allowance for depreciation above referred to or managerial expense, leaving an estimated revenue of \$1,318.00 available for depreciation and management.

Applicant contemplates installing a new pump of greater capacity, estimated to cost about \$4,000.00 and capable of supplying large amounts of water for irrigation from a new well. It anticipates being able to greatly increase its water sales with a relatively small increase in operating expenses, which would still further increase the margin between revenue and expenses. Mr. Stava estimates that a suitable allowance for depreciation upon a new pump would be \$110.00 per year.

It is apparent that upon the showing made no increase in the present rates is justified and the application must be denied.

ORDER.

Los Altos Water Company having applied for an increase in rates charged for the service of domestic water in and about Los Altos, Santa Clara County, public hearing having been held, and applicant having failed to present testimony which would justify an increase in the present rates heretofore established by the commission,

It is hereby ordered that the application be and it is hereby denied.

Dated at San Francisco, California, this twelfth day of November, 1918.

DECISION No. 5921.

THE ALPAUGH BOARD OF TRADE

vs.

CITY WATER AND IMPROVEMENT COMPANY.

Case No. 1140.

Decided November 14, 1918.

Order issued on complaint of Alpaugh Board of Trade, directing City Water and Improvement Company to improve service, and adjusting rates to enable company to finance improvements; applicants for measured service to deposit cost of meter and installation, the amount deposited to be returned as credit on water bills.

W. N. Billing, for Complainant.

Samuel Mink, for Defendant.

BY THE COMMISSION.

OPINION.

This is a complaint against the service rendered by the City Water and Improvement Company in the delivery of water for domestic and irrigation uses to the inhabitants of Alpaugh, Tulare County.

The complaint alleges in effect that service is intermittent and inadequate, and that an insufficient supply of water is delivered for the needs of consumers. Complainant prays for an order directing defendant to provide adequate facilities, that defendant be directed to install meters and that rates be established which will produce an income sufficient to meet the expenses of the plant in order that service may be bettered. The answer denies all the material allegations and alleges that the rates are inadequate.

A public hearing in this matter was held by Examiner Westover at Alpaugh.

Defendant was organized February 3, 1906, with a capital stock of \$25,000.00, divided into 2,000 shares of the par value of \$12.50 each, of which 572 shares were sold at par and the proceeds used to install the pumping plant and system. Service of water for domestic use and for limited irrigation use began in the fall of 1906. Since that time five assessments of \$1.25 each per share have been levied and 157 shares of stock sold for delinquent assessments and bought in by the company for lack of bidders.

Water has heretofore been delivered through 72 services at a flat rate of \$1.50 per month per service. Service has been admittedly intermittent and inadequate.

The quantity of water delivered approximates 1,000 gallons per capita per day, due largely to leakage from defective pipes and waste of water by consumers. Average consumption in communities of this type varies from 100 to 200 gallons per capita per day.

This wasteful use of water by consumers is not only increasing the expense of operation, but also deprives other consumers of their fair share of the water and makes poor service almost certain. Test made by the commission's hydraulic engineers shows the pumping plant has adequate capacity even if consumption is largely in excess of normal for a city of this character. However, with the tank at its present elevation the pressure is insufficient to force a sufficient quantity of water through the pipe system.

Intermittent service has been partially due to the motor, which drives the pump, burning out because of a defective automatic cut-out. This should be remedied either by repair or replacement.

In order to give good service it appears necessary that the tank be raised to a sufficient elevation to provide adequate pressure, that the system be metered and that the pumping plant be repaired.

Defendant maintains that its financial condition is such that it can not finance these improvements.

Defendant will therefore be permitted to put into effect a rule requiring applicants for measured service to deposit the cost of meter and

installation, the amount deposited to be returned as a credit on water bills.

An appraisal of the plant was submitted by C. H. Loveland, of the commission's hydraulic division, showing an estimated cost new of \$10,835.00 and a sinking fund annuity of \$398.00. No other appraisals were submitted.

The commission's engineers examined the records of the company's expense incurred in the past for maintenance and operation and found a total average annual expenditure of \$800.00. This appears to be a fair estimate of future expenditures. There will be an added expense entailed because of the installation of meters, which expense must be added in computing a measured rate schedule. The evidence shows that this will approximate \$200.00 per year, including maintenance, operation, interest and depreciation.

The total annual charges set out above are as follows:

Interest on \$10,835.00 at 8 per cent.....	\$867 00
Maintenance and operation.....	800 00
Annuity	398 00
Total	<u>\$2,065 00</u>

To meet this expense defendant has heretofore received a revenue of approximately \$1,000.00 per annum.

It is estimated that the rate schedule set out in the order following will produce sufficient revenue to meet the above charges.

ORDER.

Complaint having been made against City Water and Improvement Company and public hearings having been held and the matter having been submitted,

It is hereby ordered that City Water and Improvement Company make the following improvements, to be completed within six months from date:

- (1) Raise its storage tank to an elevation at least 20 feet above its present elevation.
- (2) Repair or install automatic cut-out for motor.
- (3) Install a meter on each domestic service and wherever practical on irrigation services.

It is further ordered that City Water and Improvement Company file amended rules and regulations within thirty days to be effective upon acceptance for filing by this commission.

It is further ordered that the following rate schedule be filed and put into effect, as of December 1, 1918:

Rate Schedule.

	Per month
1. For residences of not more than five rooms occupied by single families, including bath.....	\$1 25
For each additional room.....	15
2. For hotels and lodging houses, in addition to the family rate for each room with water tap.....	20
For each room without water tap.....	15
3. For toilet in hotels or public places.....	1 00
For each additional toilet.....	25
4. For one public bathtub in hotels, lodging houses or bathing establishments.....	1 50
For each additional bathtub.....	50
For each private bathtub in hotels or lodging houses.....	20
5. For restaurants and dining rooms of hotels.....	2 00
6. For small store and shops, including water for washing windows and sidewalks.....	\$1 00 to 2 00
7. For large stores and warehouses, including water for washing windows and sidewalks.....	2 00 to 4 00
8. For photograph galleries.....	2 00 to 5 00
9. For rooms occupied as offices, for each room with water tap.....	50
10. For doctors' or dentists' offices not exceeding two rooms, with water tap.....	1 00
Each additional room with water tap.....	50
11. For bakeries, in addition to store rate, for each barrel of flour used.....	05
12. For soda fountains, in addition to store rate.....	1 50 to 4 00
13. For blacksmith, wagon or machine shops, where one forge is used.....	1 50
For each additional forge used.....	25
14. For livery, feed and sales stables.....	2 00 to 6 00
15. For private stables, for one horse and buggy, including water for washing same.....	25
For each additional horse or cow.....	10
16. For public garages, including water for washing cars.....	2 00 to 8 00
17. For private garages, including water for washing cars, for each car kept.....	25
18. For barber shops where not more than one chair is used.....	1 50
For each additional chair.....	50
19. For use of cold storage machines, in addition to store or warehouse rates.....	2 00 to 4 00
20. For laundries or wash houses.....	3 00 to 5 00
21. For public water troughs, for each trough.....	1 00 to 3 00
22. For public halls, clubs or lodge rooms.....	1 00
23. For all irrigation, including lawns, for the first 100 square yards irrigated.....	40
For each square yard additional.....	$\frac{1}{8}$
24. For steam engines not working over ten horsepower per day, for each horsepower so used.....	50
For all working over ten horsepower per day, for each horsepower so used.....	40
25. For gasoline engines, per horsepower.....	10
26. For building and plastering for water used by plasterers for use in slacking each barrel of lime.....	10
For water used by bricklayers to make mortar and dampen brick, for each 1,000 bricks laid.....	10
For water used to dampen lath, per 1,000.....	10
For water used to moisten cement, per barrel.....	10
27. For water used to settle earth when replacing it in a ditch, for each cubic yard of earth.....	01
28. Water for all purposes not specified in the above will be delivered by the measured rate.	

Measured Rates.

400 cubic feet or less-----	\$1 00 per month
For water used between 400 and 1,000 cubic feet-----	17 per 100 cu. ft.
For water used between 1,000 and 10,000 cubic feet-----	12 per 100 cu. ft.
Over 10,000 cubic feet-----	05 per 100 cu. ft.

Dated at San Francisco, California, this fourteenth day of November, 1918.

DECISION No. 5926.

CITY AND COUNTY OF SAN FRANCISCO, A MUNICIPAL CORPORATION,
vs.

SPRING VALLEY WATER COMPANY, A CORPORATION.

Case No. 842.

IN THE MATTER OF THE APPLICATION OF SPRING VALLEY WATER
COMPANY TO INCREASE RATES.

Application No. 2739.

IN THE MATTER OF THE APPLICATION OF SPRING VALLEY WATER
COMPANY TO DISCONTINUE PREFERENTIAL SERVICE TO SOUTH
PACIFIC COAST RAILWAY AND SOUTHERN PACIFIC COMPANY.

Application No. 2860.

Decided November 15, 1918.

Order fixing rates to be charged by Spring Valley Water Company for water delivered to docks or shipping.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas the Railroad Commission of the state of California, by Decision No. 5730, made on September 3, 1918, authorized Spring Valley Water Company to establish a schedule of rates to be charged by it for water; and

Whereas it appears to the Railroad Commission that said order should be modified in order that a just and reasonable rate schedule be established for certain special classes of service not provided for in the order heretofore made,

It is hereby ordered that Spring Valley Water Company be and it is hereby authorized to charge the following rates, effective November 20, 1918, for water delivered to docks or shipping, where the delivery is not through a service and meter for which the owner of the dock is responsible:

Schedule of Rates.

For the first 1,300 cubic feet-----	\$1 00 per 100 cubic feet
For the next 2,000 cubic feet-----	24 per 100 cubic feet
For the next 30,000 cubic feet-----	21 per 100 cubic feet
For all over 33,300 cubic feet-----	18 per 100 cubic feet
Minimum for each delivery, trip or monthly use, \$2.50.	

It is further ordered that, pending further investigation and order, the rates to be charged by Spring Valley Water Company for deliveries of water outside the limits of the city and county of San Francisco, either to the United States Government, counties, municipalities or private consumers who are holders of special contracts fixing special rates, be excepted from the provisions of the order in Decision No. 5730, dated September 3, 1918, and that the rates in effect prior to September 5, 1918, the effective date of Decision No. 5730, be charged by Spring Valley Water Company for water delivered to these consumers.

It is further ordered that the order in Decision No. 5730, dated September 3, 1918, except as herein modified, shall remain in full force and effect.

Dated at San Francisco, California, this fifteenth day of November, 1918.

DECISION No. 5927.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY, SACRAMENTO VALLEY TELEPHONE COMPANY, THE HOME TELEPHONE AND TELEGRAPH COMPANY OF PASADENA, ONTARIO AND UPLAND TELEPHONE COMPANY, AND SOUTHERN CALIFORNIA TELEPHONE COMPANY, FOR AN ORDER APPROVING CERTAIN CHARGES AND AUTHORIZING THE FILING OF RATE SHEETS.

Application No. 4091.

Decided November 19, 1918.

Application for ex parte order approving order made by Postmaster General of the United States, fixing rates for installation charges. Order granted, but in giving approval, Commission holds modification of its own rules, regulations and rates governing such service is granted only because rates ordered by Postmaster General are made as part of governmental war policy, and that said approval is to be considered but temporary, and not to be construed as a finding that charges heretofore fixed by the commission are other than reasonable and just.

Also:

DECISION No. 5928.

IN THE MATTER OF THE APPLICATION OF WHITTIER HOME TELEPHONE AND TELEGRAPH COMPANY AND DOWNEY HOME TELEPHONE AND TELEGRAPH COMPANY FOR AN ORDER APPROVING CERTAIN CHARGES AND AUTHORIZING THE FILING OF RATE SHEETS.

Application No. 4115.

Also:

DECISION No. 5929.

IN THE MATTER OF THE APPLICATION OF SANTA BARBARA TELEPHONE COMPANY, A CORPORATION, FOR AN ORDER APPROVING CERTAIN CHARGES AND AUTHORIZING THE FILING OF RATE SHEETS.

Application No. 4130.

Also:

DECISION No. 5930.

IN THE MATTER OF THE APPLICATION OF UNION HOME TELEPHONE AND TELEGRAPH CORPORATION FOR AN ORDER APPROVING CERTAIN CHARGES AND AUTHORIZING THE FILING OF RATE SHEETS.

Application No. 4133.

Also:

DECISION No. 5931.

IN THE MATTER OF THE APPLICATION OF INTERSTATE TELEGRAPH COMPANY FOR AN ORDER APPROVING CERTAIN CHARGES AND AUTHORIZING THE FILING OF RATE SHEETS.

Application No. 4171.

Also:

DECISION No. 5932.

IN THE MATTER OF THE APPLICATION OF THE SOUTHWESTERN HOME TELEPHONE COMPANY FOR THE APPROVAL OF THE ORDER OF THE POSTMASTER GENERAL, NO. 1931, AND BULLETINS NO. 5 AND NO. 8, RELATING THERETO, FIXING CHARGES FOR INSTALLATION AND REMOVAL OF TELEPHONES.

Application No. 4201.

Also:

DECISION No. 5933.

IN THE MATTER OF THE APPLICATION OF MONROVIA TELEPHONE AND TELEGRAPH COMPANY, A CORPORATION, FOR AN ORDER APPROVING CERTAIN CHARGES AND AUTHORIZING THE FILING OF RATE SHEETS.

Application No. 4217.

Also:

DECISION No. 5941.

IN THE MATTER OF THE APPLICATION OF SAN FERNANDO TELEPHONE AND TELEGRAPH COMPANY, A CORPORATION, FOR AN ORDER APPROVING CERTAIN CHARGES AND AUTHORIZING THE FILING OF RATE SHEETS.

Application No. 4216.

BY THE COMMISSION.

OPINION.

The Pacific Telephone and Telegraph Company, Sacramento Valley Telephone Company, The Home Telephone and Telegraph Company of Pasadena, Ontario and Upland Telephone Company and Southern California Telephone Company filed herein their joint application asking this commission to make an ex parte order approving an order made by the Postmaster General of the United States, effective September 1, 1918, known as Bulletin No. 5 (Order No. 1931), which order is as follows:

"Owing to the necessity for conserving labor and material and to eliminate a cost which is now borne by the permanent user of the telephone, a readiness to serve or installation charge will be made on and after September 1, 1918, for all new installations; also a charge for all changes in location of telephones.

"Installation charges to be as follows:

"Where the rate is \$2.00 a month or less-----	\$5 00
Where the rate is more than \$2.00, but not exceeding \$4.00 a month	10 00
Where the rate is more than \$4.00 a month-----	15 00

"The moving charge to the subscriber will be the actual cost of labor and material necessary for making the change.

"In accordance with Bulletin No. 2, issued by me August 1, 1918, stating that 'until further notice the telegraph and telephone companies shall continue operation in the ordinary course of business through regular channels,' in all cases where rate adjustments are pending or immediately necessary, they should be taken up by the company involved through the usual channels and action obtained wherever possible. In all cases, however, where rates are changed, such changes should be submitted to me for approval before being placed in effect,"

and which order was thereafter, to wit: on September 14, 1918, by supplementary Bulletin No. 8 of the Postmaster General modified.

On August 12, 1915, the Railroad Commission made its order and Decision No. 2689 establishing eighteen rules to be followed by water, gas, electric and telephone utilities in the matter of service charges, service connections and extensions. The order provided that it should become effective on October 11, 1915.

Prior to October 11, 1915, a number of petitions for rehearing were filed, and thereafter an Order No. 2879 was made on petition for rehearing, which last order became effective on December 1, 1915.

In the proceedings last referred to, the commission made a most comprehensive and thorough investigation and inquiry into the matter of service charges, service connections and extensions. Many public hearings had been had, exhibits filed, and interested parties (both the utilities and representatives of consumers and patrons) presented very fully their views. In addition thereto, the different departments of the commission made separate investigations and reports pertaining to the inquiry.

Little or no complaint has been had from any source since the inauguration of the rules provided for by said decision, and it is the opinion of the commission that practically all of the difficulties which said decision aimed to correct were corrected thereunder.

Were it not for what we are convinced should be recognized as the all-controlling reason for departure or modification thereof, we would be unwilling at this time to set aside or modify such rules or to approve any modification thereof. For reasons hereinafter stated, however, the commission feels that the application should be granted.

On July 13, 1918, the Senate of the United States passed the following resolution:

"Resolved. That the President, during the continuance of the present war, is authorized and empowered, whenever he shall deem it necessary for the national security or defense, to supervise or to take possession and assume control of any telegraph, telephone, marine cable, or radio system or systems, or any part thereof, and to operate the same in such manner as may be needful or desirable for the duration of the war, which supervision, possession, control, or operation

shall not extend beyond the date of the proclamation by the President of the exchange of ratifications of the treaty of peace:

"Provided, that just compensation shall be made for such supervision, possession, control, or operation to be determined by the President; and if the amount thereof, so determined by the President, is unsatisfactory to the person entitled to receive the same, such person shall be paid 75 per cent of the amount so determined by the President and shall be entitled to sue the United States to recover such further sum as, added to said 75 per cent, will make up such amount as will be just compensation therefor, in the manner provided by section 24, paragraph 20, and section 145 of the judicial code:

"Provided, further, that nothing in this act shall be construed to amend, repeal, impair, or affect existing laws or powers of the states in relation to taxes or the lawful police regulations of the several states except wherein such laws, powers, or regulations may affect the transmission of government communications or the use of stocks and bonds by such system or systems."

Thereafter the President of the United States, in pursuance of the authority conferred upon him by such resolution, issued his proclamation as follows:

"Whereas, it is deemed necessary for the national security and defense to supervise and take possession and assume control of all telegraph and telephone systems and to operate the same in such manner as may be needful or desirable:

"Now, therefore, I, Woodrow Wilson, President of the United States, under and by virtue of the powers vested in me by the foregoing resolution and by virtue also of all the powers thereto me enabling, do hereby take possession and assume control and supervision of each and every telegraph and telephone system and every part thereof within the jurisdiction of the United States, including all equipment thereof and appurtenances thereto whatsoever and all material and supplies.

"It is hereby further directed that the supervision, possession, control and operation of such telegraph and telephone systems hereby by me undertaken shall be exercised by and through the Postmaster General, Albert S. Burleson. Said Postmaster General may perform the duties hereby and hereunder imposed upon him so long and to such extent and in such manner as he shall determine through the owners, managers, boards of directors, receivers, officers and employees of said telegraph and telephone systems.

"Until and except so far as said Postmaster General shall from time to time by general or special orders otherwise provided, the owners, managers, boards of directors, receivers, officers and employees of the various telegraph and telephone systems shall continue the operation thereof in the usual and ordinary course of the business of said system, in the names of their respective companies, associations, organizations, owners or managers as the case may be.

"Regular dividends hitherto declared and maturing interest upon bonds, debentures and other obligations may be paid in due course, and such regular dividends and interest may continue to be paid until and unless the said Postmaster General shall from time to time otherwise by general or special orders determine; and subject to the approval of said Postmaster General the various telegraph and telephone systems may determine upon and arrange for the renewal and extension of maturing obligations."

Thereafter Postmaster General Burleson issued a statement dealing generally with his purposes and policy in control of the telegraph and telephone service. The Postmaster General has adopted the method of announcing his policies and orders by means of bulletins issued from time to time.

The bulletins of the Postmaster General concerning telegraph and telephone service issued up to date, in so far as they relate to the matter under discussion, are Bulletin No. 5 (Order No. 1931), dated August 28, 1918, and Bulletin No. 8, dated September 14, 1918, which is an amplification and modification of Bulletin No. 5.

Bulletin No. 5 has hereinbefore been set forth.

Bulletin No. 8 reads as follows:

"Order No. 1931, issued by me under date of August 28, provided certain charges for all installations of telephones on and after September 1, 1918, also a charge for the 'moving' of telephones. On account of the many inquiries regarding the order, the following instructions are issued:

"1. Installation charges made effective by Order No. 1931 shall be referred to by telephone companies and collected from subscribers as 'Service Connection Charges' and shall be based on the minimum net rate charged to the subscriber. The service connection charges shall be collected from all applicants for new or additional service at the time of application and before such new service or additional service is established.

"2. In cases of 'Change of Name,' or where no lapse of service occurs, the minimum charge of \$3.00 shall apply in all cases.

"3. Service connection charges do not apply to extension bells, push buttons, buzzers, or miscellaneous equipment of like character, nor to directory listings.

"4. With the exceptions above noted, the service connection charge shall apply to each class of service and class of equipment furnished the applicant for which the company shall have a regular separate established rate, and the amount of the service connection charge shall be determined by the amount of the regular established rate, in accordance with the terms of Order No. 1931.

"5. All subscribers who pay the service connection charges established under Order No. 1931 shall be relieved of any other service connection charges, cancellation charges, charges made in liquidation of damages on account of short terms, and short term rates; and the use of one year or any other period in excess of one month as a minimum contract period for telephone service.

"6. The 'Moving Charge' referred to in Order No. 1931 applies only to changes in the location of equipment on the premises. Such changes are generally known as 'inside moves.' For purposes of economy in administration and for the convenience of the public, the charge for moving a telephone set from one location to another on the same premises shall be \$3.00. The charge for moving all other equipment from one location to another on the same premises shall be based on the cost of labor and materials.

"7. Order No. 1931 abolishes the distinction heretofore made by some companies between a new installation or a new service connection and an 'outside move'; and all changes in the location of the subscriber which have heretofore been described as 'outside moves' will hereafter be treated as new 'service connections' and subject to the service connection charges of Order No. 1931 and of these instructions supplementary thereto.

"8. Service connection charges do not apply to the service known as 'service stations' or 'switching service'; and they do not supersede special installation or construction charges or mileage charges of any kind."

Even a casual reading of Bulletins 5 and 8 will show that the effect of these Bulletins upon C. R. C. Decision No. 2879 is so complete that it may be said that there is complete substitution of amount of service charges as well as very radical changes in matters of practice concerning installations, removals and in other similar respects.

Postmaster General's Bulletin No. 2 (Order No. 1783), among other things, declares, "Until further notice the telegraph and telephone companies shall continue operation in the ordinary course of business through regular channels"; and said Bulletin No. 5, among other things, provides:

"In accordance with Bulletin No. 2, issued by me August 1, 1918, stating that 'until further notice the telegraph and telephone companies shall continue operation in the ordinary course of business through regular channels,' in all cases where rate adjustments are pending or immediately necessary, they should be taken up by the company involved through the usual channels and action obtained wherever possible."

Applicants construe such part of the Bulletin quoted as a direction of the Postmaster General to secure the approval of this commission for the service charges and practices substituted by said Bulletins 5 and 8 for the service charges and practices heretofore provided by this commission.

The control of the telephone and telegraph companies is obviously a war policy of the federal administration, and this commission, consistent with its policy and duty in all similar situations, unhesitatingly co-operates with the federal government in such matters.

There may well be, and undoubtedly are, considerations of the federal government during its control of this service other than what would be present under normal conditions in the mind of a regulatory body. It may well be and probably is the desire of the federal government to discourage rather than encourage extensions, installation of equipment and services other than what are responsive to war needs, and in pursuance of this policy charges higher and different in character might be imposed for the purpose of discouraging extensions and installations other than the absolutely essential.

In this view of the situation and for the reasons stated, this commission will approve of the schedules filed pursuant to direction of the Postmaster General; but in making and giving such approval, the commission wishes to again declare that such approval is not a finding of reasonableness of such charges or practices, but on the contrary reaffirms and finds that the rules heretofore adopted in said Decision No. 2879 are just and reasonable.

It is our opinion that the approval of the charges and practices directed by the Postmaster General should be but temporary and withdrawal of such approval should be made by the commission at the termination of the war or at such other time as the commission deems appropriate.

ORDER.

Application having been filed by the Pacific Telephone and Telegraph Company, Sacramento Valley Telephone Company, The Home Telephone and Telegraph Company of Pasadena, Ontario and Upland Telephone Company and Southern California Telephone Company asking the Railroad Commission to make an ex parte order approving Bulletin No. 5 (Order No. 1931) and Bulletin No. 8 of the Postmaster General and authorizing the above-named applicants respectively to file and place in effect rate sheets as in the several exhibits attached to the petition, the same to become effective as of September 1, 1918, in accordance with said orders of the Postmaster General:

And it appearing to the Railroad Commission that this application should be granted, and that this is not a matter requiring a public hearing,

It is hereby ordered that the application be and it is hereby granted; provided, that the approval herein given and made of said rate sheets shall not be deemed a finding of the reasonableness of the charges, rules and regulations therein provided; and provided, further, that such approval shall be temporary in its character for the reasons and under the conditions stated in the opinion preceding this order.

It is hereby further ordered that the authority herein granted applicants to file and make effective rate sheets cancelling and superseding rate sheets heretofore on file with the Railroad Commission and in effect, is limited, as to cancellation of rate sheets heretofore on file and in effect, to those charges which are directly in conflict with the charges which are provided for in the orders of the Postmaster General, hereinabove referred to.

And it is hereby further ordered that the authority herein granted to make effective the charges for the installation and removal of telephones and telephone equipment which are provided for in the said orders of the Postmaster General, hereinabove referred to, is not retroactive as to any service order or orders placed with the applicants herein prior to September 1, 1918.

Dated at San Francisco, California, this nineteenth day of November, 1918.

DECISION No. 5934.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY FOR AN ORDER EXTENDING THE TIME WITHIN WHICH TO COMPLY WITH THE PROVISIONS OF CHAPTER 499, LAWS OF 1911, AS AMENDED BY CHAPTER 600, LAWS OF 1915.

Application No. 2145.

Decided November 19, 1918.

Extension of time is granted applicant to comply with provisions of "Safety Act"; order issued in connection therewith, directing commission's gas and electric division to inspect applicant's lines and indicate specific work that should be immediately undertaken, commission finding that applicant had not displayed an attitude towards commission's previous orders in any wise commendable.

Chas. P. Catten, for Applicant.

J. Morgenthauer and *Wm. Rhys*, for Electrical Workers.

BY THE COMMISSION.

OPINION.

This is a petition for a supplemental order of the commission extending the time for compliance with the provisions of chapter 499, laws of 1911, as amended by chapter 600, laws of 1915, referring to the placing, erection, use and maintenance of electric poles, wires, cables and appliances.

This commission's Decision No. 3724, dated September 30, 1916, directed that Pacific Gas and Electric Company's overhead electric system should comply in all respects with the provisions of the law on or before June 30, 1919. Applicant now contends that, owing to the abnormal conditions brought about by reason of the war, particularly referring to the increased costs and scarcity of material and labor, the completion of required reconstruction within the time previously specified will place upon it a burden which will be difficult of accomplishment, and which, in the light of the present emergency, appears unjust and unreasonable. Applicant also contends that it has removed a large proportion of the hazardous conditions and that no serious hazard would result from the continuance of certain of the infractions until removed by normal maintenance and replacements. Testimony of applicant shows material increase in cost of supplies and labor required for this work, and also difficulty in obtaining the necessary labor to carry on the work.

For a statement of the law governing proceedings of this character and the principles which guided the Railroad Commission in its previous decisions in this matter, reference is hereby made to Decision No. 3675 in Application No. 2222, dated September 26, 1916 (Opinions and Orders of the Railroad Commission of the State of California, Vol. 11, p. 291), in which decision the commission reviewed the matter of jurisdiction and the request for an extension of time by applicants therein within which to complete the required reconstruction.

The commission's attitude in the matter of compliance with the law is very clearly and definitely expressed in the opinion set forth as a part of the above mentioned decision, from which is quoted the following:

"We believe that the situation will be clarified if all parties understand definitely that the state's policy as announced in these statutes is to be carried into effect as speedily as is reasonably possible, and that the Railroad Commission intends to do everything in its power to bring about this result."

Applicants should constantly hold in mind that the commission's attitude remains unaltered and were it not for the emergency with which the nation is now confronted, this application, if entertained at all, would be treated in an entirely different manner.

From a consideration of the progress made in the past, it is apparent that applicant has not displayed an attitude toward the commission's previous orders in relation hereto that is in any wise commendable. On the contrary, it has decidedly failed to show the diligence in carrying on the work that the order clearly indicated as that which would be expected.

Representatives of the Electrical Workers opposed the granting of further extension of time beyond June 30, 1919, urging that the utilities could obtain the necessary employees to do the work, and that the safety to the linemen required that the work be completed.

It appears from evidence, however, that a considerable number of infractions are of a technical nature and their removal would not greatly increase general safety. In fact, evidence of applicant is, in general, to the effect that certain features of the required reconstruction might be properly postponed in view of the present urgent demand for conservation.

We are of the opinion that applicant should remove all existing hazardous conditions within as short a time as possible, and we believe that the use of material and labor for such work could not be considered other than essential. There appears little question but that applicant could obtain the necessary employees to complete this part of the reconstruction. We believe that except for the cases wherein special hazard exists, either to employees or the general public, an extension of time should be granted for complete compliance with the law.

It is practically impossible in an order to define specifically what type of infractions are thusly involved, and the evidence presented is not of sufficient detail to specify what poles or lines should be immediately reconstructed.

In order to bring about a definite understanding as to just what work may be postponed and what shall be carried on to immediate completion, it appears that the most satisfactory procedure would be for the commission's gas and electric division, which has charge of the inspection of lines for the commission, to be instructed to inspect applicant's lines and indicate to their representatives the specific work that should be immediately undertaken, and that this division, under the commission's authority, shall outline the schedule which applicant shall follow in the prosecution of the work.

ORDER.

Pacific Gas and Electric Company having applied to this commission for an order extending the time within which to comply with the provisions of chapter 499, statutes of 1911, as amended by chapter 600 of the statutes of 1915 of the state of California, public hearing having been held and the matter submitted.

It is hereby ordered that the reconstruction of applicant's overhead electric system to comply with the provisions of the above referred to laws, shall be prosecuted in such manner as will be indicated from time to time by this commission, and so that all hazardous conditions hereafter designated by the commission shall be removed on or before June 30, 1919.

It is hereby further ordered that Pacific Gas and Electric Company shall file semiannual progress reports, as provided for in previous orders of the commission in this matter.

Dated at San Francisco, California, this nineteenth day of November, 1918.

DECISION No. 5935.

IN THE MATTER OF THE APPLICATION OF WESTERN STATES GAS AND ELECTRIC COMPANY FOR AN ORDER EXTENDING THE TIME WITHIN WHICH TO COMPLY WITH THE PROVISIONS OF CHAPTER 499, LAWS OF 1911, AS AMENDED BY CHAPTER 600, LAWS OF 1915.

Application No. 2203.

Decided November 19, 1918.

Chickering & Gregory, by W. C. Fox, for Applicant.
J. Morgenthau and Wm. Rhys, for Electrical Workers.

BY THE COMMISSION.

OPINION.

This is a petition for a supplemental order of the commission extending the time for compliance with the provisions of chapter 499, laws of 1911, as amended by chapter 600, laws of 1915, referring to the placing, erection, use and maintenance of electric poles, wires, cables and appliances.

This commission's Decision No. 3669, dated September 26, 1916, directed that Western States Gas and Electric Company's overhead electric system should comply in all respects with the provisions of the law on or before June 30, 1918. Applicant now contends that, owing to the abnormal conditions brought about by reason of the war, particularly referring to the increased costs and scarcity of material and labor, the completion of required reconstruction within the time previously specified will place upon it a burden which will be difficult of accomplishment, and which, in the light of the present emergency, appears unjust and unreasonable.

The evidence in this application shows conditions existing as regards relative compliance with this commission's previous order and reasons for an extension of time to complete the reconstruction of electric lines, similar in general to those set forth in this commission's Decision No. 5934, in Application No. 2145 of Pacific Gas and Electric Company.

For said reasons Western States Gas and Electric Company will be required to reconstruct its electric lines in compliance with the following order:

ORDER.

Western States Gas and Electric Company having applied to this commission for an order extending the time within which to comply

with the provisions of chapter 499, statutes of 1911, as amended by chapter 600 of the statutes of 1915, of the state of California, public hearing having been held and the matter submitted,

It is hereby ordered that the reconstruction of applicant's overhead electric system to comply with the provisions of the above referred to laws, shall be prosecuted in such manner as will be indicated from time to time by this commission, and so that all hazardous conditions hereafter designated by the commission shall be removed on or before June 30, 1919.

It is hereby further ordered that Western States Gas and Electric Company shall file semiannual progress reports, as provided for in previous orders of the commission in this matter.

Dated at San Francisco, California, this nineteenth day of November, 1918.

DECISION No. 5936.

IN THE MATTER OF THE APPLICATION OF NORTHERN CALIFORNIA POWER COMPANY, CONSOLIDATED, FOR AN ORDER EXTENDING THE TIME WITHIN WHICH TO COMPLY WITH THE PROVISIONS OF CHAPTER 499, LAWS OF 1911, AS AMENDED BY CHAPTER 600, LAWS OF 1915.

Application No. 2276.

Decided November 19, 1918.

Edward Whaley, for Applicants.

J. Morganthaler, for Electrical Workers.

BY THE COMMISSION.

OPINION.

This is a petition for a supplemental order of the commission extending the time for compliance with the provisions of chapter 499, laws of 1911, as amended by chapter 600, laws of 1915, referring to the placing, erection, use and maintenance of electric poles, wires, cables and appliances.

This commission's Decision No. 3725, dated September 30, 1916, directed that Northern California Power Company's overhead electric system should comply in all respects with the provisions of the law on or before June 30, 1919. Applicant now contends that, owing to the abnormal conditions brought about by reason of the war, particularly referring to the increased costs and scarcity of material and labor, the completion of required reconstruction within the time previously specified will place upon it a burden which will be difficult of accomplishment, and which, in the light of the present emergency, appears unjust and unreasonable.

The evidence in this application shows conditions existing as regards relative compliance with this commission's previous order, and reasons for an extension of time to complete the reconstruction of electric lines, similar in general to those set forth in this commission's Decision No. 5934 in Application No. 2145 of Pacific Gas and Electric Company. For said reasons Northern California Power Company, Consolidated, will be required to reconstruct its electric lines in compliance with the following order:

ORDER.

Northern California Power Company, Consolidated, having applied to this commission for an order extending the time within which to comply with the provisions of chapter 499, statutes of 1911, as amended by chapter 600 of the statutes of 1915, of the state of California, public hearing having been held and the matter submitted,

It is hereby ordered that the reconstruction of applicant's overhead electric system to comply with the provisions of the above referred to laws, shall be prosecuted in such manner as will be indicated from time to time by this commission, and so that all hazardous conditions hereafter designated by the commission shall be removed on or before June 30, 1919.

It is hereby further ordered that Northern California Power Company, Consolidated, shall file semiannual progress reports, as provided for in previous orders of the Railroad Commission in this matter.

Dated at San Francisco, California, this nineteenth day of November, 1918.

DECISION No. 5937.

IN THE MATTER OF THE APPLICATION OF THE SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AN ORDER EXTENDING THE TIME WITHIN WHICH TO COMPLY WITH THE PROVISIONS OF CHAPTER 499, LAWS OF 1911, AS AMENDED BY CHAPTER 600, LAWS OF 1915.

Application No. 2415.

IN THE MATTER OF THE APPLICATION OF THE MIDLAND COUNTIES PUBLIC SERVICE CORPORATION FOR AN ORDER EXTENDING THE TIME WITHIN WHICH TO COMPLY WITH THE PROVISIONS OF CHAPTER 499, LAWS OF 1911, AS AMENDED BY CHAPTER 600, LAWS OF 1915.

Application No. 2416.

Decided November 19, 1918.

Murray Bourne, for San Joaquin Light and Power Corporation and Midland Counties Public Service Corporation.

J. Morganthaler and *Wm. Rhys*, for Electrical Workers.

BY THE COMMISSION.

OPINION.

This is a petition for a supplemental order of the commission extending the time for compliance with the provisions of chapter 499, laws of 1911, as amended by chapter 600, laws of 1915, referring to the placing, erection, use and maintenance of electric poles, wires, cables and appliances.

In its Decisions Nos. 3699 and 3700 this commission granted applicants an extension of time to and including June 30, 1919, within which to reconstruct their overhead electric lines in accordance with the requirements of the above-mentioned laws. Applicants now contend that, owing to the abnormal conditions brought about by reason of the war, particularly referring to the increased costs and scarcity of material and labor, the completion of required reconstruction within the time previously specified will place upon them a burden which will be difficult of accomplishment, and which, in the light of the present emergency, appears unjust and unreasonable.

The evidence in this application shows conditions existing as regards relative compliance with this commission's previous order and reasons for an extension of time to complete the reconstruction of electric lines, similar in general to those set forth in this commission's Decision No. 5934 in Application No. 2145 of Pacific Gas and Electric Company.

For said reasons San Joaquin Light and Power Corporation and Midland Counties Public Service Corporation will be required to reconstruct their electric lines in compliance with the following order:

ORDER.

San Joaquin Light and Power Corporation and Midland Counties Public Service Corporation having applied to this commission for an order extending the time within which to comply with the provisions of chapter 499, statutes of 1911, as amended by chapter 600 of the statutes of 1915, of the state of California, public hearing having been held and the matter submitted,

It is hereby ordered that the reconstruction of applicant's overhead electric system to comply with the provisions of the above referred to laws, shall be prosecuted in such manner as will be indicated from time to time by this commission, and so that all hazardous conditions hereafter designated by the commission shall be removed on or before June 30, 1919.

It is hereby further ordered that San Joaquin Light and Power Corporation and Midland Counties Public Service Corporation shall file semiannual progress reports, as provided for in previous orders of the commission in this matter.

Dated at San Francisco, California, this nineteenth day of November, 1918.

DECISION No. 5938.

IN THE MATTER OF THE APPLICATION OF CALIFORNIA-OREGON POWER COMPANY FOR AN ORDER EXTENDING THE TIME WITHIN WHICH TO COMPLY WITH THE PROVISIONS OF CHAPTER 499, LAWS OF 1911, AS AMENDED BY CHAPTER 600, LAWS OF 1915.

Application No. 2541

Decided November 19, 1918.

Morrison, Dunne & Brobeck, for Applicant.

J. Morganthaler and *Wm. Rhys*, for Electrical Workers.

BY THE COMMISSION.

OPINION.

This is a petition for a supplemental order of the commission extending the time for compliance with the provisions of chapter 499, laws of 1911, as amended by chapter 600, laws of 1915, referring to the placing, erection, use and maintenance of electric poles, wires, cables and appliances.

This commission's Decision No. 3738, dated September 30, 1916, directed, in general, that California-Oregon Power Company's overhead electric system should comply in all respects with the provisions of the law on or before June 30, 1918. Applicant now contends that, owing to the abnormal conditions brought about by reason of the war, particularly referring to the increased costs and scarcity of material and labor, the completion of required reconstruction within the time previously specified will place upon it a burden which will be difficult of accomplishment, and which, in the light of the present emergency, appears unjust and unreasonable.

The evidence in this application shows conditions existing as regards relative compliance with this commission's previous order and reasons for an extension of time to complete the reconstruction of electric lines, similar in general to those set forth in this commission's Decision No. 5934 in Application No. 2145 of Pacific Gas and Electric Company. For said reasons California-Oregon Power Company will be required to reconstruct its electric lines in compliance with the following order:

ORDER.

California-Oregon Power Company having applied to this commission for an order extending the time within which to comply with the provisions of chapter 499, statutes of 1911, as amended by chapter 600, statutes of 1915, of the state of California, public hearing having been held and the matter submitted,

It is hereby ordered that the reconstruction of applicant's overhead electric system to comply with the provisions of the above referred to

laws, shall be prosecuted in such manner as will be indicated from time to time by this commission, and so that all hazardous conditions hereafter designated by the commission shall be removed on or before June 30, 1919.

It is hereby further ordered that California-Oregon Power Company shall file semiannual progress reports, as provided for in previous orders of the commission in this matter.

Dated at San Francisco, California, this nineteenth day of November, 1918.

DECISION No. 5939.

IN THE MATTER OF THE APPLICATION OF SAN JOSE RAILROADS FOR AN ORDER EXTENDING THE TIME WITHIN WHICH TO COMPLY WITH THE PROVISIONS OF CHAPTER 499, LAWS OF 1911, AS AMENDED BY CHAPTER 600, LAWS OF 1915.

Application No. 2400.

IN THE MATTER OF THE APPLICATION OF PENINSULAR RAILWAY COMPANY FOR AN ORDER EXTENDING THE TIME WITHIN WHICH TO COMPLY WITH THE PROVISIONS OF CHAPTER 499, LAWS OF 1911, AS AMENDED BY CHAPTER 600, LAWS OF 1915.

Application No. 2401.

Decided November 19, 1918.

F. E. Chapin, for Applicant.

J. Morganthaler, for Electrical Workers.

BY THE COMMISSION.

OPINION.

These are petitions for supplemental orders of the commission extending the time for compliance with the provisions of chapter 499, laws of 1911, as amended by chapter 600, laws of 1915, referring to the placing, erection, use and maintenance of electric poles, wires, cables and appliances.

This commission's Decision No. 3694, dated September 26, 1916, directed that applicants' overhead electric systems should comply in all respects with the provisions of the law on or before June 30, 1918.

A hearing in these proceedings, now ready for decision, was held in San Francisco on August 17, 1918, before Examiner Encell. Testimony of applicants' chief electrician was to the effect that owing to the abnormal conditions brought about by reason of the war, combined with the unsatisfactory financial condition of the utilities, applicants have found it impossible to fully comply with the commission's order.

We believe that applicants have displayed a diligent effort toward the fulfillment of this order and it is a fact that a large percentage of the

legal violations which originally existed have been removed. It is also an accepted fact that of the remaining violations few, if any, could be considered other than technical violations and represent no serious hazard either to employees or the general public.

Pursuant to the policy dictated by our federal government for the conservation of material and supplies, which may be required to meet future demands essential to the winning of the war, it is our opinion that, except for cases wherein special hazard exists, applicants should be granted an extension of time for complete compliance with the law.

It would be very difficult in an order to define specifically what type of infractions involve special hazard, and evidence presented is not of sufficient detail to specify what poles or lines should be immediately reconstructed.

In order, therefore, to bring about a definite understanding as to just what work may be postponed and what shall be carried on to immediate completion, it appears that the most satisfactory procedure would be for the commission's gas and electric division, which has charge of the inspection of lines for the commission, to be instructed to inspect applicants' lines and to indicate to their representatives the specific work that should be immediately undertaken, and that this division, under the commission's authority, shall outline the schedule which applicants shall follow in the prosecution of the work.

ORDER.

San Jose Railroads and Peninsular Railway Company having applied to this commission for an order extending the time within which to comply with the provisions of chapter 499, statutes of 1911, as amended by chapter 600, statutes of 1915 of the state of California, public hearing having been held and the matter submitted,

It is hereby ordered that the reconstruction of applicants' overhead electric systems to comply with the provisions of the above referred to laws, shall be prosecuted in such manner as will be indicated from time to time by this commission, and so that all hazardous conditions hereafter designated by the commission shall be removed on or before June 30, 1919.

It is hereby further ordered that San Jose Railroads and Peninsular Railway Company shall file semiannual progress reports, as provided for in previous orders of the commission in this matter.

Dated at San Francisco, California, this nineteenth day of November, 1918.

DECISION No. 5940.

IN THE MATTER OF THE APPLICATION OF THE CITY OF ANAHEIM
FOR AN ORDER OF THE RAILROAD COMMISSION EXTENDING
THE TIME WITHIN WHICH TO COMPLY WITH THE PROVISIONS
OF CHAPTER 499 OF THE LAWS OF 1911, AS AMENDED BY
CHAPTER 600 OF THE LAWS OF 1915.

Application No. 2456.

Decided November 19, 1918.

BY THE COMMISSION.

ORDER.

Whereas the city of Anaheim has applied for an order of the Railroad Commission of the state of California extending the time within which to comply with the provisions of chapter 499 of the laws of 1911, as amended by chapter 600 of the laws of 1915, known as the "Safety Act"; and

Whereas it is known to be a fact that a large percentage of the infractions of the law which still exist on the overhead lines of applicant are not considered as seriously hazardous, and the removal of which would not materially increase safety to employees or the general public; and

Whereas it appears that applicant has endeavored to the best of its financial and physical ability to carry out the order of the Railroad Commission in its Decision No. 3734; and

Whereas every effort should be made at this time to co-operate with our federal government in the conservation of materials,

It is hereby ordered that the time within which the city of Anaheim shall reconstruct its overhead electric lines to comply with the requirements of chapter 499, laws of 1911, as amended by chapter 600, laws of 1915, is extended subject to future order of the Railroad Commission, except the particular violations which in the opinion of the commission are seriously hazardous to employees of applicant or to the general public, and of which applicant will be definitely advised following an investigation to be made by the commission's gas and electric division.

It is hereby further ordered that upon such advice from the commission, applicant shall immediately proceed to remove the violations listed and to carry on the work in a manner that will cause all such violations to be removed on or before June 30, 1919.

Dated at San Francisco, California, this nineteenth day of November, 1918.

Decision No. 5942.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA AUTHORIZING APPLICANT TO INCREASE ITS RATES AND CHARGES FOR ELECTRIC ENERGY.

Application No. 3459.

Decided November 19, 1918.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

By Decision No. 5519, dated June 27, 1918, in the above-entitled proceeding, applicant was ordered to charge for electric energy sold only the schedule rates on file with the Railroad Commission, except for energy sold under special contracts for which no filed schedules of rates apply, thus removing all so-called "deviation rates." The commission recognized the possibility that the filed schedules of rates might not in all instances cover the service to consumers previously served under deviation rates, and with this possibility in mind the opinion in Decision No. 5519 stated:

"The commission may, if it deems advisable hereafter, order the filing of new rate schedules for certain classes of service if the carrying out of this order demonstrates the need of such action."

The complaints that have arisen out of that portion of the commission's order resulting in the modification of former contract rates, have clearly demonstrated the necessity for some revision of the rate schedules. Many of the schedules as they now stand, both as to the rates therein and the territory in which such rates are effective, are plainly unjust and unreasonable rates when applied to the service of some consumers who have heretofore been charged at other than schedule rates. There is an obvious discrimination in rates for the same character of service between localities, and in particular between the two metropolitan areas on San Francisco Bay, which requires an equitable adjustment. For these reasons and for other good causes, it is deemed proper at this time to order certain changes in the electric rate schedules of Pacific Gas and Electric Company.

In order that those consumers whose former contract rates were modified by the commission's order in Decision No. 5519 shall have suffered no prejudice by reason of having been charged since July 10, 1918, under rate schedules which are adjusted in the order herein, the rates herein established are made retroactive and effective as just and reasonable rates as of July 10, 1918, the date of the original order in this proceeding.

Based upon the foregoing findings of fact,

It is hereby ordered that Pacific Gas and Electric Company file with the Railroad Commission, effective July 10, 1918, and thereafter charge for agricultural power service the rates and charges set forth in Revised Sheet C. R. C. C. No. 146-E, being Schedule No. 114, with the following modifications, to wit:

Discontinue that section of Sheet No. 146 E, reading as follows:

"For installations of 100 horsepower and over, where the consumer expects to irrigate a large tract of land from one central plant, 1 cent per kilowatt hour for all current consumed. Minimum charge, \$12.00 per horsepower per year."

and substitute in lieu thereof the following:

"Where the consumer expects to irrigate a large tract of land from one central point or where electric energy is delivered to a consumer at one central point for use at other points:

"For installations of 100 horsepower and over and less than 500 horsepower, 1 cent per kilowatt hour for all current consumed.

Minimum charge, \$12.00 per horsepower per year.

"For installations of 500 horsepower and over and less than 1,500 horsepower, 9 cents per kilowatt hour for all current consumed.

Minimum charge, \$12.00 per horsepower per year.

"For installations of 1,500 horsepower and over, 8 cents per kilowatt hour for all current consumed.

Minimum charge, \$12.00 per horsepower per year."

It is hereby further ordered that Pacific Gas and Electric Company file with the Railroad Commission, effective July 10, 1918, and thereafter charge for electric energy for gold dredging service the rate set forth in C. R. C. Sheet No. 28-E, being Schedule No. 122, with the following modifications, to wit:

Discontinue that section of C. R. C. Sheet No. 28-E, reading as follows:

"For smaller installations general power schedules will apply. For installations consisting of a number of boats and with a monthly kilowatt hour consumption of power of approximately 1,000,000 kilowatt hours per month."

and substitute in lieu thereof the following:

"For all installations."

It is hereby further ordered that Pacific Gas and Electric Company file with the Railroad Commission, effective July 10, 1918, and thereafter charge and collect for general power service in the city and county of San Francisco the rates and charges set forth in C. R. C. Sheets No. 122-E, No. 123-E and No. 127-E, being Schedules No. 156, No. 157 and No. 157-X, respectively.

It is hereby further ordered that Pacific Gas and Electric Company file with the Railroad Commission, effective July 10, 1918, and thereafter charge and collect for electric energy sold for industrial and manufacturing power service in the city and county of San Francisco the rates and charges set forth in C. R. C. Sheet No. 121-E, being Schedule No. 190.

It is hereby further ordered that Pacific Gas and Electric Company shall within ten days of the date of this order file with the Railroad

Commission of the state of California such amended schedules of rates as shall be necessary to comply with the provisions hereof, and that Pacific Gas and Electric Company shall within ten days of the date of this order give proper notice hereof to all consumers affected by the above modifications of rate schedules, and shall adjust all bills paid by consumers since the effective date of Decision No. 5519, where such consumers shall within thirty days of the date of such notice elect to be charged in accordance with the rates and charges herein established.

The surcharges authorized by this commission in Decisions No. 5519 and No. 5557 shall apply to the rates herein established.

Dated at San Francisco, California, this nineteenth day of November, 1918.

DECISION No. 5943.

IN THE MATTER OF THE APPLICATION OF GREAT WESTERN POWER COMPANY, GREAT WESTERN POWER COMPANY OF CALIFORNIA AND CITY ELECTRIC COMPANY FOR AN ORDER AUTHORIZING AN INCREASE IN RATES BY THE COMMISSION.

Application No. 3460.

Decided November 19, 1918.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

In Decision No. 5942, being the second supplemental order in Application No. 3459 of Pacific Gas and Electric Company, the commission has set forth certain facts necessitating the modification of rate schedules of Pacific Gas and Electric Company. The conditions set forth therein as applying to Pacific Gas and Electric Company, apply for the same reasons, and to an equal degree, to certain rate schedules and certain consumers of the applicants herein. For the reasons therein set forth and for other good causes.

It is hereby ordered that City Electric Company file with the Railroad Commission of the state of California, effective July 10, 1918, and thereafter charge and collect for electricity for general power service in the city and county of San Francisco the rates and charges set forth in C. R. C. Sheets No. 109-E, No. 110-E, No. 111-E and No. 112-E, being Schedule No. 500 of Great Western Power Company, and in C. R. C. Sheets No. 123-E, No. 124-E, No. 125-E, No. 126-E and No. 127-E, being Schedule No. 500-D of the Great Western Power Company.

It is hereby further ordered that Great Western Power Company file with the Railroad Commission of the state of California, effective July 10, 1918, and thereafter charge and collect for electricity sold for

power purposes in Alameda County the rates and charges set forth in C. R. C. Sheet No. 26-E, being Schedule No. 120 of Pacific Gas and Electric Company.

It is hereby further ordered that Great Western Power Company shall, within ten days of the date of this order, file with the Railroad Commission of the state of California, effective July 10, 1918, and thereafter charge and collect for electricity sold for electro-chemical and electro-metallurgical purposes a schedule of rates for such service subject to the approval of and the acceptance by the Railroad Commission.

It is hereby further ordered that City Electric Company and Great Western Power Company shall, within ten days of the date of this order, file with the Railroad Commission of the state of California such amended schedules of rates as shall be necessary to comply with the provisions hereof, and that City Electric Company and Great Western Power Company shall, within ten days of the date of this order, give proper notice hereof to all consumers affected by the above modifications of rate schedules, and shall adjust all bills paid by consumers since the effective date of Decision No. 5518, where such consumers shall, within thirty days of the date of such notice, elect to be charged in accordance with the rates and charges herein established.

The surcharges authorized by this commission in Decision No. 5518 shall apply to the rates herein established.

Dated at San Francisco, California, this nineteenth day of November, 1918.

DECISION No. 5944.

IN THE MATTER OF THE APPLICATION OF THE RIVERBEND GAS AND WATER COMPANY FOR AN ORDER AUTHORIZING AN INCREASE IN GAS RATES.

Supplemental Application No. 3552.

Decided November 19, 1918.

Chaffee Hall, for Applicant.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

Whereas the commission in its Decision No. 5864, dated October 22, 1918, ruled that the increase in gas rates granted the Riverbend Gas and Water Company should not apply to the city of Kingsburg until applicant should have completed its new transmission line to that city and thereby have improved the service therein, and have received from this commission a supplemental order authorizing the increase in the city of Kingsburg; and

Whereas applicant, in compliance with the above conditions, has notified this commission under date of November 15, 1918, that said transmission line was completed on November 9, 1918, and has submitted pressure charts indicating that the service in the city of Kingsburg is greatly improved thereby,

It is hereby ordered that the Riverbend Gas and Water Company be and is hereby authorized to charge and collect the following rates for gas, based on all regular meter readings taken on and after December 5, 1918, in the city of Kingsburg:

<i>Rates.</i>		
	Gross	Net
First 500 cubic feet or less per meter per month.....	\$1 10	\$1 00
Next 2,500 cubic feet per meter per month.....	Per M cubic feet \$1 80	\$1 70
Next 4,000 cubic feet per meter per month.....	1 60	1 50
Next 8,000 cubic feet per meter per month.....		1 30
All over 15,000 cubic feet per meter per month.....		1 20

The net amount to be effective on all bills paid by the tenth of the month following meter readings.

Dated at San Francisco, California, this nineteenth day of November, 1918.

DECISION No. 5946.

IN THE MATTER OF THE APPLICATION OF PALO VERDE WAREHOUSE AND STORAGE COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF STOCK.

Application No. 4186.

Decided November 19, 1918.

BY THE COMMISSION.

OPINION.

Palo Verde Warehouse and Storage Company in this application asks authority to issue at par \$1,500.00 of its common capital stock.

A hearing was held before Examiner Westover in San Francisco on November 15.

Palo Verde Warehouse and Storage Company was incorporated on or about October 17, 1918, with an authorized capital stock of \$10,000.00 divided into 1,000 shares of the par value of \$10.00 each. It intends to engage in the business of storing cotton. Mr. J. F. Henry and Mr. A. F. Masterman, who are the principal subscribers to the stock, have leased at a rental of \$325.00, paid in advance, three acres of land in the

city of Blythe. This land is to be used as storage yards. The leases will be assigned to the corporation provided the Railroad Commission authorizes the applicant to issue the stock applied for. One of the leases terminates March 15, 1920, and the other April 1, 1920. As rent is an operating cost, for which stock should not be issued, applicant during the term of these leases should amortize out of earnings the amount thereof, by paying into a special fund to be held as a reserve an amount equivalent to the rent, prepaid. The other purposes for which the company desires to issue stock appear in the order herein.

ORDER.

Palo Verde Warehouse and Storage Company having applied to the Railroad Commission for authority to issue at par \$1,500.00 of its common capital stock and a hearing having been held,

It is hereby ordered that Palo Verde Warehouse and Storage Company be and it is hereby granted authority to issue at not less than par \$1,500.00 of its common capital stock, upon the following conditions and not otherwise:

(1) The proceeds from the sale of the stock shall be used for the following purposes:

To purchase fencing material, approximately.....	\$500 00
To purchase cotton yard scale, approximately.....	75 00
To purchase stationery, tags, receipts and office supplies, approximately.....	100 00
To pay for leases referred to in the petition herein.....	325 00
To construct and equip an office building, approximately.....	500 00

(2) Before any portion of this order may become effective, Palo Verde Warehouse and Storage Company shall submit to the commission for approval a plan under which it will amortize out of earnings the rental upon the leases referred to herein.

(3) Applicant shall keep true and accurate accounts showing the receipt and application in detail of the proceeds of the stock herein authorized to be issued, and on or before the twenty-fifth day of each month the company shall make verified reports to the commission in accordance with General Order No. 24, which order, in so far as applicable, is made a part of this order.

(4) The authority herein granted to issue stock shall apply only to such stock as may be issued within ninety days after the date hereof.

Dated at San Francisco, California, this nineteenth day of November, 1918.

DECISION No. 5953.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC ELECTRIC RAILWAY COMPANY FOR PERMISSION TO INCREASE PASSENGER FARES.

Application No. 3791.

Decided November 21, 1918.

Frank Karr, for Pacific Electric Railway Company.
J. B. Stephens and *F. D. Howell*, for city of Los Angeles.
Victor R. McLucas, for city of Santa Monica.
Rush M. Blodget, for city of Venice.
John Munger, for city of Pasadena.
William Hazlett, for city of South Pasadena.
Alfred Barstow, for city of Alhambra.
George L. Hoodenpyl and *D. L. Bathurst*, for city of Long Beach.
M. Estudillo and *George B. Bush*, for city of Riverside.
W. E. Evans, for city of Glendale.
Frederick Baker, for city of Sierra Madre.
C. E. Spencer, for City Attorneys' Association.
O. E. Williams, for Hawthorne and Lawndale.
F. A. Catterm, for Northeastern Improvement Association.
Mrs. A. G. Shaw, in propria persona.
W. M. Northrup, for city of San Gabriel.
Thomas A. Berkebile, for Monterey Park.
S. M. Haskins, for city of San Marino.
J. B. Beman, for city of Watts.
William B. Ogden, for Crescent Heights.
W. W. Phelps, for Hermosa Beach.
Frank L. Perry, for city of Redondo Beach.
Hurum E. Reeve and *W. T. Pratt*, for Chamber of Commerce of Torrance.

LOVELAND, *Commissioner*.

OPINION AND ORDER ON APPLICATION FOR REHEARING.

This is a rehearing of Application No. 3791, decided by this commission September 4, 1918, Decision No. 5731. In the original proceeding the Pacific Electric Railway Company sought authority to increase its passenger fares. The application was purely in the nature of a relief measure to meet, in part, operating costs due to war prices, and it did not ask a return upon the value of the property devoted to the service, but only sought sufficient new revenue to meet increased wages of its employees, increased costs of materials, equipment and taxes. The commission decided, and it was admitted by all parties that the fares in effect were insufficient under existing conditions, and the following fares, which were determined to be just and reasonable, were authorized:

	Per mile
One way	3 cents
Round trip	2½ cents
10-ride individual commutation tickets	2 cents
30-ride family commutation tickets	1½ cents
46-ride and 60-ride individual commutation tickets, for distances	
one to ten miles, inclusive	1 cent
Fifteen miles and over ten	9 mills
Twenty miles and over fifteen	8 mills
For all distances over twenty miles	7½ mills

17-41431

The fares to and from Los Angeles to be made by applying an arbitrary fare of 5 cents for the first five and one-half miles to cover street car territory within Los Angeles and the mileage rates for the remaining distances, except where based on the total mileage at the rate per mile, the fares would figure less.

Authority was also sought to reduce the street car zones in certain districts, and to increase the fare from 5 to 7 cents in other districts within the city of Los Angeles. Also to increase to 6 cents all street car fares within other municipalities through which applicant's cars operate and where a 5-cent fare was in effect. This part of the application was denied and applicant was instructed to continue in effect the 5-cent street car fares.

Tariffs intended to be a full compliance with the commission's order were issued September 15, effective September 18, 1918, to cover one-way and round-trip fares, and on September 21, effective September 24, 1918, to cover commutation fares.

On September 16, 1918, the cities of Santa Monica and Venice filed a joint petition for rehearing. This was followed on September 18 by a joint petition from the cities of Pasadena, South Pasadena and Alhambra, and on September 19 by the city of Long Beach. Petitioners for rehearing asked for a review of the opinion and order on certain specific points, and, believing that same should be given consideration, an order was issued September 24, 1918, reopening the case for the purpose of receiving further evidence. The petition, however, not having been received ten days or more before the effective date of the order, as provided under section 66 of the Public Utilities Act, did not automatically suspend the original order, and the commission being of the opinion that an emergency situation existed and that the Pacific Electric Railway Company should not be denied relief, permitted the tariffs to go into effect.

In addition to the formal applications for rehearing, representatives from the following communities entered appearances:

Crescent Heights	Los Angeles	San Marino
Glendale	Monterey Park	Sierra Madre
Hawthorne	Redondo	Torrance
Hermosa Beach	Riverside	Watts
Lawndale	San Gabriel	

Petitioners' objections to the findings in the original opinion and order are, in the main, as follows:

1. *By Santa Monica and Venice:*

That the commission erred in establishing the one-way fare of 40 cents and round-trip fare of 60 cents between the city of Los Angeles and the cities of Santa Monica and Venice; that these cities should not have been included in the beach territory blanket at a common rate, and that the rates were excessive and unreasonable.

2. *By Pasadena, South Pasadena, Alhambra and San Gabriel:*

That the record was insufficient to warrant the commission in authorizing other than a flat increase in the fares; that the percentage increase in fares between Los Angeles and these four communities was greater than at other points; that there was no physical valuation of the property of applicant upon which to base the fares, and that the fares established were discriminatory, excessive and unjust.

3. *By Long Beach:*

That the fares established were excessive, unjust and unreasonable.

4. *In general:*

That applicant in publishing tariffs did not follow out the terms of the opinion and order with reference to the five-cent fares within municipalities, and that the fares authorized were excessive and unreasonable.

Hearings were held at Los Angeles October 4, 5 and 7, exhibits were submitted, arguments heard and briefs filed. The public was notified in the usual manner of the reopening of the case and testimony was presented by interested persons, associations and communities, but the supplementary evidence was not materially different from that considered in the formal report, witnesses reiterating to a great extent facts already in the original record and most of the new testimony was, therefore, only of a cumulative nature.

The matter is now submitted upon the record of both proceedings.

The cities of Santa Monica and Venice are contending that the 40-cent one-way and 60-cent round-trip fares between those cities and Los Angeles, which are the blanket fares used for all of the beach communities extending from Port Los Angeles on the north to Anaheim Landing on the south, are excessive and unreasonable when applied to what is known as the West Coast Group of beaches located in the zone extending from Playa del Rey-Venice through Ocean Park to and including Santa Monica. This claim is based on the testimony of applicant's general passenger agent, who at the original hearing testified that the proposed fares for the west coast beaches were computed on the mileage to Sunset Station, a point located between Santa Monica and Venice, 15.28 miles from Los Angeles via the shortest mileage route. Taking this distance and applying the basis per mile for the system authorized by the commission in its opinion and order, the fares would figure less than 40 cents one way and 60 cents round trip, but these blanketed fares were not based on any mileage scheme as the opinion and order clearly set forth, but were made arbitrary to fit the needs of the public traveling to the ocean beaches in great crowds mainly for recreation and pleasure.

The following table shows distances between Los Angeles and the different beach resorts via routes over which applicant regularly oper-

ates trains and via which mileage it is possible for the purchaser of a single- or round-trip ticket to travel:

Distances Between Los Angeles and Santa Monica, Ocean Park, Venice and Playa Del Rey via Various Routes.- West Coast Branches.

Route No.	From—	Santa Monica, Utah ave.	Ocean Park, Pier ave.	Venice, Windward ave.	Playa del Rey, Auditorium
		Miles	Miles	Miles	Miles
1	4th and Hill sts. station, Los Angeles, via Hollywood blvd., Sawtelle, Soldiers' Home and Westgate line.....	21.56	22.89	23.76	26.10
2	4th and Hill sts. station, Los Angeles, via Hollywood blvd., Sawtelle and Dunham.....	19.21	20.58	21.42	23.96
3	4th and Hill sts. station, Los Angeles, via Colegrove, Sawtelle and Westgate line.....	21.06	22.39	23.26	25.60
4	4th and Hill sts. station, Los Angeles, via Colegrove, Sawtelle and Dunham.....	18.71	20.04	20.91	23.25
5	4th and Hill sts. station, Los Angeles, via Sherman Junction, Sawtelle and Westgate.....	19.50	20.87	21.71	24.05
6	4th and Hill sts. station, Los Angeles, via Sherman Junction, Sawtelle and Dunham.....	17.17	18.49	19.33	21.67
7	4th and Hill sts. station, Los Angeles, Vineyard, Venice Short Line.....	17.00	15.65	14.81	17.15
8	4th and Hill sts. station, Los Angeles, Vineyard, Palms, Home Junction, Soldiers' Home and Westgate line.....	19.32	20.65	21.52	23.86
9	4th and Hill sts. station, Los Angeles, Vineyard, Palms, Sawtelle, Dunham.....	16.88	18.21	19.08	21.42
10	4th and Hill sts. station, Los Angeles, Vineyard, Home Junction and Bergamot.....	16.24	17.57	18.44	20.78
11	6th and Main sts. station, Los Angeles, Santa Monica Air Line.....	18.00	18.00	20.21	22.55
12	4th and Hill sts. station, Los Angeles, Redondo Line via Playa del Rey.....	19.56	18.10	17.35	15.01
	Average	18.68	19.45	20.15	22.11

Distances Los Angeles to Various Beach Points via Routes of Pacific Electric Railway.

Route No.	From—	Via—	Miles
		Redondo Beach (Pavilion).	
1	4th and Hill sts.....	Vineyard and Playa del Rey.....	24
2	6th and Main sts.....	Watts and Gardena.....	20.4
3	6th and Main sts.....	Watts and Hawthorne.....	20.6
	Average		21.06
		San Pedro (Fifth and Front streets).	
1	6th and Main sts.....	Gardena	24.31
2	6th and Main sts.....	Dominquez Junction	22.61
	Average		23.46
		Long Beach (Pacific avenue).	
			20.45
		Seal Beach.	
		Naples	24.11
		Long Beach	26.45
	Average		25.28

It will be noted there are twelve possible routes between Los Angeles (Fourth and Hill Streets Station, Sixth and Main Streets Station) and Santa Monica (Utah avenue). This mileage varies from 16.24 via Route No. 10, through Vineyard, Home Junction and Bergamot, to 21.56 via Route 1, through Hollywood, Sawtelle and Westgate, the average mileage of the twelve routes being 18.68. Since the tickets are good at the option of purchaser via any of the twelve routes, the more logical and fair mileage upon which to base a rate, if it were to be computed on mileage, would be the average of the whole, or 18.68. This, upon the basis prescribed by the commission, would make one-way fare of 45 cents and round-trip 76 cents. The average mileage at Ocean Park (Pier avenue) would be 19.45; at Venice (Windward avenue) 20.15, and Playa del Rey (Auditorium) 22.11, while to the south coast beaches the average mileage at Redondo is 21.66, at San Pedro 23.46, at Long Beach 20.45 and at Seal Beach 25.28. It will thus be seen when all elements of the different routes are taken into consideration that the travel mileage possible to any of the beaches, either in the west coast or south coast territory, is approximately the same.

A blanket system of passenger fares between Los Angeles and the different beach resorts has been in effect since transportation was first inaugurated by companies originally in competition. The pioneer railroad was built into Wilmington in 1869; a second company built into Santa Monica in 1878. These companies had a one-way fare of \$1.00 in each direction and no round-trip tickets. In 1889, or thereabouts, a railroad was constructed to East San Pedro via Long Beach; about the same time the Atchison, Topeka and Santa Fe built its line into Redondo Beach. The fare to all beach points at the commencement of operation was \$1.00. Later a round-trip fare of \$1.50 was made, and at the time the first electric line reached Santa Monica the round-trip fare was \$1.00 via the connecting steam lines. The electric line reduced its fare to 50 cents, which reduction was immediately met by the steam lines at Wilmington, Long Beach, San Pedro, Redondo and Santa Monica. It will thus be seen that at no time during the past 50 years has the blanket of fares applicable to the one-way and round-trip fares been disturbed. It can not be said that the west coast beach cities have suffered because of this blanket fare adjustment, which afforded equal facilities to all. The territory embraced in the Santa Monica-Venice district now has a claimed population of approximately 25,000 and its growth compares favorably with that of other ocean-front communities. The cities of Long Beach and San Pedro, because of industrial developments, are accredited with very substantial increases in population during the past few years, but the ratio of increase at the west coast cities no doubt would compare favorably with

Long Beach and San Pedro, were it not for the industrial features referred to.

In a blanket adjustment of fares distances alone are not controlling and carriers may lawfully, within reasonable limits, as a matter of traffic policy, adjust competition between points by the establishment of identical fares. Blanketed groups of fares long maintained are not to be disturbed unless substantial justice clearly requires it, and ordinarily a community should show it is actually injured by an unjust and unlawful discrimination before the group can be broken up. An undue inequality can only be shown by dealing with a situation as a whole, and mere comparisons of distances without supporting details and facts does not justify a division of the group. It has not been shown that Santa Monica, Venice and the other west coast beaches are injured by being included in the blanket of one-way and round-trip fares, for the beach territory caters to a distinct class of patronage, which on certain days of the week for local traffic and during fixed periods of the year for outside traffic is purely excursion and pleasure seeking in its nature. This class of traffic would not move freely upon normal fares and the conclusion is inevitable that the communities, the traveling public and the transportation companies are in a better position under the arbitrary fares, call them excursion or by some other name, than would result if the beach community fares were placed on a strictly mileage basis varying from town to town, in some cases so high as to almost prohibit their use by a great mass of the people. Again, if this commission were to break the blanket system of fares, traffic would naturally flow to the point having the lowest fares, and it would be expensive and difficult, if not impossible, to handle the immense crowds going to the ocean front during hot summer days, especially on Sundays and holidays. The change would prove unsatisfactory both to the traveling public and the transportation company.

The blanketing of passenger fares, especially to cover excursion and commutation traffic, is not uncommon throughout the United States, and reference might here be made to the fact that the one-way and commutation fares applying between San Francisco and points on the Alameda County side of the bay cover a blanketed zone beginning with five miles from San Francisco and extending 12.1 miles, which is practically the condition obtaining in southern California between Los Angeles and the beach resorts.

Commissioner Edgerton, in deciding Case No. 457, May 5, 1915, involving this same rate situation, said (Vol. 6, Opinions and Orders of the Railroad Commission of California, 794-799):

— "The question of blanketing rates has been passed on a number of times by commissions and courts, and it has been definitely decided that the proper blanketing of rates does not create an unlawful preference in favor of one community as against another. It is quite impossible for the commission to order

a reduction in the rates to Venice and Santa Monica without finding them to be excessive and unreasonable, and notwithstanding the complainants' numerous statements that the reasonableness of the rates is not in question and discrimination is the only matter in issue, I am inclined to believe that what was meant was that the rate to Long Beach should be adjudged reasonable for the distance and therefore unreasonable for the shorter distance to Venice and Santa Monica."

Consideration has been given to all the facts and circumstances placed in the case as originally presented, and to the additional testimony and arguments submitted on rehearing dealing with this phase of the situation, and there is nothing in the entire record to warrant a change in our conclusions; therefore the fares established to cover the beach communities will not be disturbed.

Representatives of the cities of Pasadena, South Pasadena and Alhambra were not opposed to the claim that this carrier was in need of additional revenue during this emergency war situation, and were willing to pay increased passenger fares, but they objected to the schedules of fares as set forth in applicant's Exhibit No. 12, which, after making an arbitrary allowance for the five and one-half mile street car district within the city of Los Angeles, based fares on 3 cents per mile one way, 2½ cents per mile round trip, and a graduated scale of from 2 cents per mile to 7½ mills per mile for commutation fares.

No testimony was introduced to prove the new fares were in and of themselves excessive or unreasonable, the main contention being that the increases resulted in substantial changes and that their percentage of increases was higher than those made at other points.

A study of the passenger fares in effect between Los Angeles-Pasadena and the other communities mentioned shows conclusively that these communities have had fares on a relatively lower basis than at other points equidistant from Los Angeles. The following table compares the old and new fares between Los Angeles and Pasadena with the old and new fares between other points for approximately the same mileage from Los Angeles:

Miles	Los Angeles and --	One-way	Round-trip	10-ride	30-ride
11.2	Pasadena -----	Old \$0 15	\$0 25	\$1 00	\$3 00
	Colorado and Fair Oaks.	New 22	38	1 63	4 05
11.5	Morton -----	Old 25	40	1 50	3 85
	Santa Ana Line.	New 23	40	1 70	4 20
10.9	Compton -----	Old 20	30	-----	1 00
	Long Beach and San Pedro Line.	New 21	37	1 58	3 93
11	Buenos Ayres -----	Old 20	35	-----	3 50
	Santa Monica Line.	New 21	37	1 60	3 97
11.4	Bundy -----	Old 25	40	-----	1 00
	Redondo Line via Culver City.	New 23	39	1 68	4 15
11.6	Universal City -----	Old 25	40	1 40	3 50
	Van Nuys Line.	New 23	41	1 72	4 25
10.8	Senorita -----	Old 20	35	-----	3 90
	Burbank Line.	New 21	37	1 59	3 96
10.9	Rosemead -----	Old 25	40	1 60	3 80
	Covina Line.	New 21	37	1 59	3 94

It will be noted the old one-way fare between Los Angeles and Pasadena, 11.2 miles, was 15 cents; between Los Angeles and Morton, 11.5 miles, the old fare was 25 cents. The Pasadena round trip was 25 cents as against the Morton round trip of 40 cents. Under the new tariff, the Pasadena one-way fare is increased from 15 cents to 22 cents and the Morton fare reduced from 25 cents to 23 cents. The round-trip Pasadena fare is increased from 25 cents to 38 cents, while the Morton round-trip remains at 40 cents. The Pasadena 10-ride is increased from \$1.00 to \$1.63 and the Morton from \$1.50 to \$1.70. The Pasadena 30-ride is increased from \$3.00 to \$4.05, and the Morton fares from \$3.85 to \$4.20. The same situation is illustrated by comparing the old and new fares at Compton on the Long Beach line, Buenos Ayres on the Santa Monica line, Bundy on the Redondo line, Universal City on the Van Nuys line, Senorita on the Burbank line, and Rosemead on the Covina line.

The increases at Pasadena are substantial, but the reasonableness of the proposed fares can not be determined by considering only the volume of the percentage increase, for a comparison of the fares shows conclusively that in the past there was a discrimination in favor of the Pasadena communities.

Attorneys representing Pasadena, South Pasadena and Alhambra dwelt strongly on the theory that fares to their communities should be based on the revenue, expenses and the value of the properties devoted to the particular service. In other words, fares should be constructed on each branch or division of applicant's railroad, independent of any other part of the property.

There are no facts in the record to show in what manner the Pasadena passenger traffic is different from traffic moving over other parts of the Pacific Electric system, unless it be the fragmentary evidence that the volume is somewhat heavier than obtains between other points.

Section 19 of the Public Utilities Act provides that—

"No public utility shall establish or maintain any unreasonable difference as to rates, charges, service, facilities, or in any other respect, either as between localities or between classes of service. The commission shall have the power to determine any question of fact arising under this section."

It by no means follows that because the number of passengers moving to or from a given point is larger than the movement to another point similarly located that different schedules of fares should prevail to fit the volume of traffic. If this theory were practiced, discrimination would be created between the different interurban communities, in violation of the provisions of the Public Utilities Act. A community is entitled to just, reasonable and nondiscriminatory fares; and where the service is performed under similar circumstances and conditions,

preferential fares can not be authorized, based purely on the volume of the traffic.

These protestants further contend applicant only sought an increase of 20 per cent in its passenger revenue and that the commission should have granted a flat increase and not the basis upon which the new fares were constructed. This contention is not borne out by the application or the record, for the fares authorized were promulgated upon the basis set forth in Exhibit No. 12, and the only reference to 20 per cent was in connection with round-trip fares where it was suggested that no round-trip fares be increased in excess of 20 per cent.

The testimony and exhibits disclosed many discriminatory situations under the old rates, some being higher than those in the proposed schedule; and, had the commission authorized a flat increase of 20 per cent, or any other percentage, a gross injustice would have been done to communities already paying fares higher than those in the Pasadena territory. As a result of the adjustment, reductions were made at some points and all discrimination removed in interurban fares, the mileage basis being consistently employed except in territory where the commission reached the conclusion that the blanket system of fares to beach resorts, on account of the entirely different nature of that traffic, should be maintained.

Counsel for the cities of Long Beach and Redondo supplemented their general protests by voicing specific objection to the volume of increase in the 10-ride and 30-ride commutation fares between Los Angeles and the Long Beach group, urging that under the new fares the differential over the fares applicable at Santa Monica and west coast points is much greater than under the former adjustment, and therefore works a corresponding detriment to Long Beach. While it is true that a greater percentage of increase is occasioned at Long Beach than at Santa Monica, there is nothing discriminatory in such adjustment, as the fares in both instances are constructed on a uniform mileage basis, whereas those previously in effect were established without regard to this feature. Long Beach is no different in this respect than other communities where the former fares were improperly adjusted.

In the rearrangement, by following a uniform mileage basis, a greater percentage of increase is necessarily brought about in some districts than in others.

It was urged by some of the petitioners for rehearing that failure to increase the 5-cent street car fare within prescribed limits of Los Angeles, while authorizing advances between this city and equidistant interurban points, engenders discrimination.

Specific reference was made to the 5-cent fare between Los Angeles and Gardner Junction, a point in Hollywood within the corporate limits of Los Angeles, 8.7 miles from applicant's Hill Street Station and

within the Los Angeles street car zone, whereas between Los Angeles and interurban points, similarly situated with respect to distance, fares were constructed on the mileage basis, the exact figure varying according to distance.

The first opinion and order in this proceeding announced the reasons for not disturbing the Los Angeles street car situation at this time, therefore it is unnecessary to repeat them herein. It is well, however, to again direct attention to the vastly different influences and conditions surrounding street car traffic within the 5-cent zones at Los Angeles and travel purely interurban in nature.

This city is served by two transportation systems entirely independent of each other. The line operated by applicant, while responding to the needs of a considerable portion of the city, is primarily an interurban road and as a street railway is secondary in importance to its competitor, the Los Angeles Railway Corporation, which conducts an exclusively street car business, extends into more districts of the city, and serves a much greater population.

Careful study of the local street car situation justified the conclusion previously reached that a disturbance of the existing arrangement is not proper under the present emergency proceeding, and such consideration as this question may require should be effected through separate action with both of the transportation companies parties thereto, and a thorough investigation made into the volume of fare, the extent of the zones, rearrangement of transfer privileges and the many other matters entering into an intelligent consideration of the entire subject. Authority to increase the street car fares having been denied, this opinion and order deal entirely with interurban fares.

It will be unnecessary to here again discuss the contention that this commission is without power to authorize rates different from those contained in franchises, for contract rates must give way to the rates fixed by this commission when circumstances and conditions require changes.

The legal points involved are thoroughly analyzed in Case No. 731, *Town of Sausalito vs. Marin Water and Power Company*, Vol. 8, Opinions and Orders of the Railroad Commission of California, page 252:

"The people of California, by recent amendment to section 23 of Article XII of the Constitution of this state, have conferred upon the Railroad Commission the power, in so far as the Railroad Commission had not already acquired the same, to establish all the rates to be charged by public utilities in California."

Much objection was offered to the increase occasioned by advancing the minimum fare for single trips from 5 cents to 10 cents. The instances in which 5-cent fares were advanced to the new minimum are very numerous, many of them representing short hauls of less than one-half mile and often as low as one-quarter mile. It was shown that

in general practice the trains are not required to make special stops for one person and therefore this item need not enter as a factor into consideration of cost of service in so far as this cost is affected by the stopping and starting of interurban trains.

After carefully reconsidering this feature, it is believed that the interests of justice will be best served by observing a minimum of 5 cents for single trips and 10 cents for round trips instead of 10 and 15 cents, respectively, as established by carrier in taking advantage of the increases authorized in the original order.

Applicant, in the publication of its new tariffs, increased many fares within municipalities where a 5-cent street car fare was formerly in effect. This was apparently done through a misunderstanding of the original opinion and order. Acting upon instructions from the commission the 5-cent fares have since been restored. These fares, however, covered zones in the different cities and towns and should not be confused with fares between interurban points, where the mileage basis with a minimum of 5 cents will be observed.

None of the parties to this proceeding questioned the fact that the Pacific Electric was in need of additional revenue. The annual reports on file in this office show that in 1914, after paying operating expenses and fixed charges, there was a deficit of \$467,220.38; in 1915 \$683,521.23; in 1916 \$821,734.33; in 1917 \$885,116.15, and that at the end of the calendar year 1917 the total balance (deficit) was \$6,170,583.05.

The company's actual deficit for the twelve months ending April 30, 1918, was \$784,246.15 and it is estimated the deficit for the twelve months ending May 31, 1919, will be \$1,725,245.90, after taking into account estimated increase in operating revenue under the passenger fares authorized in the original order in this proceeding and the increase in freight revenue, both state and interstate, granted informally by the Interstate Commerce Commission and this commission.

Wage increases made in June, 1918, will approximate one and one-half million dollars per year, and since this testimony was given other increases in wages have been granted. The increased revenue expected to be derived from the higher passenger fares will be much less than the increases in operating costs and, apparently, this applicant will show a larger deficit for the calendar year 1918 than existed in 1917.

Protestants maintained at the original hearing and on rehearing that the commission should have secured a complete valuation of the operating property, but we are here presented with an emergency situation dealing with income and expenses, in which valuation has but little bearing. As shown by the testimony, the value of the operative property is not less than \$50,000,000.00, while the rate of return under the increased fares will produce but 6 per cent on \$31,660,000.00, indicat-

ing that if valuation were made the controlling factor fares would necessarily be on a much higher basis than those authorized.

It can not be said on this record that applicant is not entitled to adequate revenue and since apparently no further economies can be introduced in the operating expenses without materially reducing the service, the only other alternative under the prevailing war conditions was increases in fares.

The fact that changes in fares which have been in existence for a great many years will work some inconveniences to certain individuals and communities can not preclude the establishment of increased fares if they are just and reasonable. Sound economic considerations require that transportation charges be reasonable and not frequently changed, but when conditions have changed as they have during this war period, there is no justification for maintaining a basis which does not produce sufficient revenue to meet carrier's operating expenses, taxes and interest on bonds.

In some sections the advance over the previous fares is considerable, while in others it is very slight and in still other districts a reduction is brought about under the new adjustment. It will therefore be seen that while the basis established by this commission is in itself uniform and nondiscriminatory, it will have a varying effect in the different communities, owing to the diverse bases formerly employed.

In the adjudication of a matter of this kind, involving a multitude of fares, it is impossible to formulate a system which will be fully satisfactory to all of the districts and communities affected, and necessarily the volume of increase will vary in the different sections. This is in consequence of the utter lack of uniformity in the former rate fabric which was established many years ago under entirely different circumstances.

The inauguration of fares on the basis authorized will preclude a condition of this kind arising in the event of future general rate changes, as a foundation has here been established on uniform lines throughout applicant's entire system.

Some of the parties to this proceeding seem to be in doubt as to the authority conferred in the original order with respect to interurban fares, and for the purpose of clarification that portion of the original order will be amended herein.

Applicant appears to have made some clerical mistakes in publishing the new fares and the adjustments necessary to correct these errors, also the necessary authority to bring certain rates within the requirements of the long and short haul clause of the state's constitution or to the prohibition against through rates exceeding combination of locals may be made by informal applications.

Our original order was made upon a careful consideration of a voluminous record, and after again reviewing the issues in the light of the records of both proceedings there appears no reason why the previous conclusions should be changed, with the exception of the minimum fare, which applicant will be required to reduce from ten to five cents.

I submit the following form of order:

ORDER.

Petitions having been received for rehearing in this application, same having been duly heard on rehearing and full investigation of the matters and things involved having been had, and the commission basing its order on the facts and conclusions contained in the opinion which precedes this order,

It is hereby ordered that the order in Decision No. 5731, dated September 4, 1918, in so far as it appertains to interurban fares is hereby amended to read as follows:

One-way fares:

Three cents per mile.

Half fare for children five years or over, and under twelve.

Minimum fare, five cents.

Round-trip fares:

Two and one-half cents per mile.

Half fare for children five years or over, and under twelve.

Minimum fare, ten cents.

Commutation tickets:

Ten-ride individual, two cents per mile.

Thirty-ride family, one and one-half cents per mile.

Forty-six-ride individual school, and sixty-ride individual:

One to ten miles inclusive, per mile.....	1 cent
---	--------

Fifteen miles and over ten, per mile.....	9 mills
---	---------

Twenty miles and over fifteen, per mile.....	8 mills
--	---------

Over twenty miles, per mile.....	7½ mills
----------------------------------	----------

Minimum fare, six cents per ride.

In figuring fares to and from Los Angeles, five and one-half miles should first be deducted from the through mileage and the mileage basis applied to the remainder, adding to this result the street car fare in Los Angeles, except where the scale applied to the actual mileage makes lower.

Fares between Los Angeles and the beach territory to be constructed in blanket zones, in accordance with Exhibit No. 12.

Where a point is served by two or more direct lines, fares are to be established on basis of short line mileage, except where fares are authorized in blanket zones. Where fares collected on this basis come out an even one-half cent or over, they are to be rounded up to an even cent; where the calculation makes them come under one-half cent, fractions are to be disregarded and fares are to be published at the next lower whole cent.

It is hereby further ordered that the order in Decision No. 5731, dated September 4, 1918, shall remain in full force and effect as modified by the order herein.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-first day of November, 1918.

DECISION No. 5954.

IN THE MATTER OF THE APPLICATION OF RICHMOND AND SAN RAFAEL FERRY AND TRANSPORTATION COMPANY AND THE SAN QUENTIN STAGE COMPANY FOR AUTHORITY TO INCREASE PASSENGER FARES AND TO DISCONTINUE ROUND-TRIP PASSENGER FARES.

Application No. 4100.

Decided November 23, 1918.

Jacobs & Oliver, by James M. Oliver, for Applicant.

BY THE COMMISSION.

OPINION.

This proceeding is a joint application by Richmond and San Rafael Ferry and Transportation Company, hereinafter called the ferry company, and San Quentin Stage Company, hereinafter called the stage company, for authority to discontinue all round trip passenger fares applicable locally between Point Richmond and Point San Quentin, and jointly between Point Richmond on the one hand and San Rafael and San Quentin Prison on the other; also to increase by 10 per cent all one-way and commutation fares now in effect between the same points. A public hearing on the application was held by Examiner Westover at Richmond on October 14, 1918. No one appeared in opposition to the proposed increases and, after the presentation of testimony by applicants in support of the petition, the matter was submitted.

The ferry company owns the steamer Charles Van Damme operating between Point Richmond and Point San Quentin. The stage company operates auto passenger busses between Point San Quentin and San Rafael-San Quentin Prison in connection with its other activities but it has no financial interest in the ferry company.

The present and proposed fares appear in the following tables:

Local Passenger Fares.

Between Point Richmond and Point San Quentin.

	Present		Proposed	
	One-way	Round-trip	One-way	Round-trip
Adults	\$0 15	\$0 25	\$0 17	None
Children	10	-----	11	-----
Monthly commutation	\$3 00		\$3 30	

Joint Passenger Fares.

Between Point Richmond and San Rafael.

Adults	\$0 30	\$0 50	\$0 33	None
Children	20	30	22	None

Between Point Richmond and San Quentin Prison.

Adults	\$0 20	\$0 35	\$0 22	None
Children	10	15	11	None

The ferry company is capitalized for \$100,000.00, with an outstanding stock issue of \$91,600.00. The claimed original cost of its property devoted to the service aggregates \$95,317.96.

Exhibits were presented giving in detail an explanation of the revenues and expenditures which form the basis for increased rates.

Operating revenues and operating expenses for the year ending October 1, 1917, are compared with the year ending October 1, 1918, and show that the revenues increased \$7,210.64 and the expenses \$10,442.66. The principal reason for the increase in operating expenses is the rise in the cost of fuel oil and labor. The ferry company's yearly consumption of fuel oil is about 5,000 barrels. This commodity has advanced in price from 60 cents per barrel in 1915 to \$1.60 per barrel in May, 1918, or 166⅔ per cent. The labor demands already granted have raised the payroll of steamer employees from \$1,105.00 per month on the basis of wages in effect December 1, 1917, to \$1,533.99 on September 1, 1918, an additional annual outlay of \$5,147.44. These boat employees are now working under a 12-hour schedule but have presented demands for an 8-hour schedule which, if granted, will add another \$7,000.00 to the payroll. The entire operating costs for the first five months of 1918 increased 46 per cent over the corresponding period of 1917.

Following is a summary of the actual passenger revenue October 1, 1917, to October 1, 1918, and the revenue for a like volume of traffic under the proposed fares:

	Revenue at present fares	Revenue at proposed fares	Increases
Local ferry ticket sales.....	\$16,769 85	\$19,835 42	\$3,065 57
Joint ticket sales.....	4,287 95	5,060 11	772 16
Totals	\$21,057 80	\$24,895 53	\$3,837 73

It is apparent, however, that this increase in revenue will not actually occur, for the testimony shows that because of the bad condition of highways converging at the Marin County terminal, some of which are now entirely closed to automobile traffic, the revenue will greatly decrease during the coming year as compared with the preceding twelve months. This is illustrated by comparison of the receipts of September and October, 1917, with the same months of 1918. In September, 1917 receipts were \$6,603.45; in 1918 \$4,704.42. In October, 1917 (21 days), the receipts were \$2,968.00; in 1918 (21 days), \$2,496.28, a decrease for this seven weeks' period of \$2,370.75. Relief from this handicap can hardly be expected until conditions brought about by the war have changed. Increasing of passenger fares will result in some relief, but not in the amount shown by this comparative statement, and the net corporate income at the end of the calendar year, by reason of decreased revenues and increased expenses, will no doubt be less than in 1917. The ferry company has never declared a dividend, although it did show a profit for the calendar year 1917.

The application of the stage company shows that for the first seven months of 1918 on its San Rafael-San Quentin Prison line it lost \$2,847.75, or \$406.82 per month. These figures include depreciation at \$200.00 per month to cover equipment having a claimed approximate value of \$22,000.00 and a bonus of \$50.00 per month paid it by the ferry company during the months of April, May, June and July. Since the beginning of the rapid advance in operating costs the stage company has been a losing proposition and has remained in the service only because of the monthly allowances from the ferry company, the latter being wholly dependent upon the joint service to accommodate its through passenger traffic, by reason of the distances between the Marin County terminal and the communities served. According to the exhibits and testimony, this applicant cannot further reduce its operating expenses and must have additional revenue if it is to continue in the service.

For the foregoing reasons, we are of the opinion that the application should be granted, with the exception that children's fares will

be one-half of the adult fare, thus conforming to the standard rate-making practice.

ORDER.

Richmond and San Rafael Ferry and Transportation Company and the San Quentin Stage Company having jointly applied to this commission for authority to cancel round trip passenger fares shown in their Joint Passenger Tariff No. 2, C. R. C. No. 2, and to increase by 10 per cent one way fares, and the Richmond and San Rafael Ferry and Transportation Company having applied for like authority, and also to increase by 10 per cent its monthly commutation fares shown in its Local Passenger Tariff No. 1, C. R. C. No. 1, a public hearing having been held, the matter having been submitted and being now ready for decision, it is hereby found as a fact that the present passenger fares of the above-named applicants are unjust and unreasonable, and that the fares hereinafter set forth are just and reasonable. Basing its order on the above findings and on the findings in the opinion preceding this order,

It is hereby ordered that the Richmond and San Rafael Ferry and Transportation Company and the San Quentin Stage Company be and are hereby authorized to publish and file the following schedule of rates:

Between Point Richmond and Point San Quentin:

Adults, one way-----	\$0 17
*Children, one way-----	3 30
Monthly commutation tickets-----	3 30

Between Point Richmond and San Rafael:

Adults, one way-----	\$0 33
*Children, one way-----	17

Between Point Richmond and San Quentin Prison:

Adults, one way-----	\$0 22
*Children, one way-----	11

Dated at San Francisco, California, this twenty-third day of November, 1918.

DECISION No. 5955.

IN THE MATTER OF THE APPLICATION OF OAKLAND, ANTIOCH AND EASTERN RAILWAY TO ISSUE A CERTAIN NOTE.

Application No. 4095.

Decided November 23, 1918.

Jesse H. Steinhart, for Applicant.

*For children five years and over, but under twelve years of age, fare will be one-half the fare named for adults, adding sufficient where necessary to make the fare end in even cents. Children under five years of age will be carried free when accompanied by parent or guardian.

EDGERTON, *Commissioner*.

OPINION.

Oakland, Antioch and Eastern Railway asks authority to issue a \$40,000.00 7 per cent note to the California National Bank of Sacramento for the purpose of renewing a note of a similar amount. It asks permission to issue the note for a term of one year or less.

The issue of the note now outstanding was authorized by the commission in Decision No. 4623, dated September 6, 1917. The payment of the note is secured by 86 Oakland, Antioch and Eastern Railway bonds. The new note is to be secured by the same bonds.

The record shows that the proceeds from the note were used for the purchase of equipment and the construction of applicant's line of railway.

It appears that the granting of this application merely maintains the status quo of applicant.

I herewith submit the following form of order.

ORDER.

Oakland, Antioch and Eastern Railway having applied to the Railroad Commission for authority to issue a \$40,000.00 note and to pledge bonds as collateral to secure the payment of said note, a hearing having been held and it appearing that the money, property or labor to be procured by the issue of the note is reasonably required for the purpose specified in the order and that the expenditure for such purpose is not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Oakland, Antioch and Eastern Railway be and it is hereby granted authority to issue to the California National Bank its note for the principal amount of \$40,000.00, bearing interest at a rate not exceeding 7 per cent per annum, for the purpose of renewing a note of a like amount now outstanding, and to issue and pledge as security for the payment of the note herein authorized the following bonds of the Oakland, Antioch and Eastern Railway: Nos. 3121 to 45, Nos. 3148 to 51, Nos. 3389 to 3400, Nos. 3701 to 25 and Nos. 4422 to 41.

The authority herein granted is granted upon the following conditions and not otherwise:

1. The note herein authorized to be issued shall be made payable during a period not exceeding one year from the date of the maturity of the note which is to be refunded or renewed. Applicant may issue and reissue said note for a term of less than one year provided that the aggregate of said term shall not exceed one year from the date of the maturity of the note refunded or renewed.

2. As the principal of the note herein authorized is paid off a ratable proportion of the bonds pledged as collateral shall be released and returned to applicant's treasury and thereafter issued only upon order of this commission.

3. Applicant shall file monthly reports as required by the Railroad Commission's General Order No. 24, said order being made a part of this order, in so far as the same is applicable.

4. The authority to issue the note and bonds shall apply only to such note and bonds as may be issued on or before November 1, 1919.

The foregoing opinion and order are hereby approved as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-third day of November, 1918.

DECISION NO. 5956.

ANNA SILVA

vs.

WILLIAM F. VAN HOOSEAR.

Case No. 1194.

Decided November 23, 1918.

Oliver Ellsworth, for Applicant.

W. B. Rinehart, by *H. S. Craig*, for Defendant.

BY THE COMMISSION.

OPINION.

The amended complaint alleges that defendant formerly supplied water for domestic use to the property now owned by her in Castro Valley near Hayward, Alameda County; that just before the acquisition of the property by her defendant removed his pipes and has ever since refused to supply water to her said property although it is located within the district in which defendant, as a public utility, is serving water; that defendant has an adequate supply of water, or that an adequate supply of water could be obtained by defendant at a reasonable expense, with which to serve plaintiff's property.

The answer, which by stipulation stands as the answer to the amended complaint, admits all the allegations of fact, except adequacy of the water supply.

Defendant filed with the answer a demurrer alleging that the complaint does not state facts sufficient to constitute a cause of action, and further alleging that the commission has no jurisdiction of the subject matter or of the person of defendant, and that he is not subject to the regulation and control of the commission.

A public hearing upon the issues raised by the pleadings was held by Examiner Westover at San Francisco, at which defendant appeared in person and by attorney and testified in his own behalf.

Heretofore defendant applied for authority to discontinue service of water to his fifteen or sixteen consumers. By Decision No. 4845 of November 15, 1917, the application was denied. Defendant did not challenge the jurisdiction of the commission to make such an order by any pleading or by applying for a rehearing therein or otherwise. Jurisdiction of the commission over the subject matter was necessarily admitted by his application for authority to discontinue service. The opinion referred to shows that for several years Mr. Van Hoosear has served water at regular rates; some 2,000 feet of pipe, in addition to that connecting his springs and house, having been laid for that purpose. (See Vol. 14, Opinions and Orders of the Railroad Commission, p. 457.)

The evidence presented at the present hearing shows that defendant now serves 11 consumers, 8 of whom have wells capable of supplying their own needs and that 5 services, including that at complainant's property, have been discontinued since the above decision, No. 4845, was rendered.

The evidence presented herein further shows that complainant acquired the property in question through foreclosure proceedings, a certificate of sale being issued July 26, 1916, that she got possession July 27, 1917, the day after the mortgagor's time for redemption expired; that defendant furnished water to the former owner of the property until May, 1917, when he discontinued service on account of nonpayment of bills; that between June 8 and 12, 1917, he cut off the pipe line which supplied the premises and took up some 10 or 12 feet of pipe, so that, as he testified, complainant, as the new owner, could not claim the right to water service.

Defendant is clearly a public utility within the meaning of the Public Utilities Act and of chapter 80, laws of 1913. His obligation to continue service was determined by Decision No. 4845 of November 15, 1917, above referred to. Such obligation can not be terminated in a particular instance by removing the facilities by which service can be rendered.

Defendant testified that his refusal to supply complainant with water was not because of personal feeling or a desire to discriminate, but because his present supply is limited, and he needs it all on his ranch to make the property salable, and because of alleged financial inability to develop a further supply. Undoubtedly metering of services and establishing measured rates would be equivalent to providing an additional supply through conservation of the water now available. He shows that water can be developed throughout the neighborhood by

wells of comparatively shallow depth. Most of defendant's consumers, who have wells, however, prefer the spring water served by defendant for domestic uses because it is soft while most of the well water is hard.

ORDER.

A public hearing having been held upon the issues raised by the pleadings in the above case, the matter being submitted and now ready for decision,

It is hereby ordered that within ten days from date hereof defendant replace the facilities for serving water for domestic purposes to the property of plaintiff formerly served by him, and that he thereafter continue such service at his regularly scheduled rates without discrimination in rates or service.

Dated at San Francisco, California, this twenty-third day of November, 1918.

DECISION No. 5957.

IN THE MATTER OF THE APPLICATION OF CHRIS HANSEN AND ELMER HANSEN FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE PASSENGER AUTO STAGE SERVICE BETWEEN THE CITY OF SACRAMENTO AND DEL PASO HEIGHTS.

Application No. 4156.

Decided November 29, 1918.

Remedy for violation of rules and regulations of commission may be had by complaint to commission, not through an attempted adjustment by operation of competing line.

C. L. Gilmore, for Applicant.

W. A. Latta, representing F. F. Atkinson and H. M. Mitchell, for A. M. Fowler, Protestant.

J. R. Wilson, for Sacramento Northern Railroad, Protestant.

OPINION.

BY THE COMMISSION.

Chris Hansen and Elmer Hansen, partners in business, have petitioned the Railroad Commission for an order declaring that public convenience and necessity require the operation by them of an automobile stage service as a common carrier of passengers between Sacramento and Del Paso Heights and intermediate points.

A public hearing was held by Examiner Handford at North Sacramento on November 21, 1918, the matter was duly submitted and is now ready for decision.

Applicants propose to charge rates in accordance with a schedule marked Exhibit "A" and filed with the application in this proceeding, and to operate on a schedule of thirteen round trips daily serving the

intermediate communities at North Sacramento, Arcade and Country Club.

The equipment proposed to be used consists of two specially constructed passenger stages, with Dodge commercial chassis, 30 horsepower, and with seating capacity of twelve passengers each.

Applicants arranged for the purchase of the operative rights of Carl Brusso, who formerly held certificate of public convenience and necessity from the Railroad Commission covering operation between Sacramento and Del Paso Park, but whose operative rights were canceled account repeated violation of the regulations of the Railroad Commission regarding overloading of equipment beyond the rated seating capacity of his stages.

Applicants assumed that by the purchase of the supposed right from Mr. Brusso that all requirements of the law and the regulations of the Railroad Commission had been met, and the operation was commenced and continued until same was ordered suspended by the Railroad Commission pending the securing of a certificate of public convenience and necessity from the Railroad Commission, and permits from the governing bodies of all political subdivisions through which the route passed.

The route now requested by applicants is different from that formerly operated by Brusso in that the northerly terminus is proposed to be Del Paso Heights instead of Del Paso Park, although the privilege of serving the point known as Country Club is requested on a schedule of two round trips daily.

The intermediate community of North Sacramento furnishes the majority of business, as this community is inadequately served by the electric trains of the Sacramento Northern Railroad which serves the community at North Sacramento by its main line and also by a branch line known as the Swanston branch. A service of eight round trips daily is available on the Swanston branch and serves patrons residing in the easterly portion of the district. A service of eleven trains northbound and nine trains southbound is available on the main line, and such service renders accommodation to the residents of the westerly portion of the community at North Sacramento.

The community at North Sacramento is settled over a considerable area and the lines of the Sacramento Northern Railroad are located closely adjacent to the east and west boundaries of North Sacramento and serve only a small portion of the community, whereas the stage operation on the county highway passes directly through the most thickly settled portion of the community, and the stage lines are therefore patronized due to the frequency of service offered and the close proximity of the stage route to the residents of the larger portion of North Sacramento. Train service on the line of the Sacramento

Northern has recently been curtailed, especially on the Swanstou branch, and while train service is also available on the line of the Southern Pacific at the station of Ben Ali, but three southbound and four northbound trains are available for the use of the public, and these trains serve but a limited portion of the community in that the station of Ben Ali is located a considerable distance from the geographical center of North Sacramento.

At the hearing on this application witnesses testified as to the necessity for the stage service, as proposed by the applicant, and the desire of the community for better service than had been heretofore accorded by the lines of A. M. Fowler and Carl Brusso.

It was also shown that the stage service was considerably improved and that no particular cause for complaint existed when the combined service of A. M. Fowler and the Hansens was operative, but that when the Hansens were ordered to discontinue their operation until such time as the provisions of chapter 213, laws of 1917, would have been complied with, the service that was rendered by the Fowler line was not satisfactory and considerable evidence was introduced as to the alleged unreliability of the Fowler line and as to the character of operation which was considered dangerous as at present conducted.

The matter of the operation, in violation of the commission's regulations, is not a subject at issue in this proceeding. If operation, in violation of published schedules and the rules and regulations of this commission regarding safety are violated by a stage line operator, the remedy is a complaint to this commission and not an attempted adjustment on the basis of another line being authorized to compete with a view to correction of practices which are in violation of the law or of this commission's operating rules and regulations.

No definite data was furnished by the applicants nor the protestants to enable a complete analysis of the traffic conditions and the prospective revenue to be derived from stage operation between Sacramento and North Sacramento, although protestant, Fowler, testified that at the time the Hansens began their unauthorized operation his receipts decreased from an average of \$12.65 per day to \$9.80 per day, and that after the Hansens discontinued operation pending a hearing on this proceeding, his receipts increased to an average of \$16.65 daily.

The granting of this application is protested by the Sacramento Northern Railroad and A. M. Fowler.

The Sacramento Northern Railroad protests for the reason that the proposed northerly terminus of the line at Del Paso Heights would interfere with the patronage enjoyed by that company from the residents in such district; and it was stated by Mr. J. R. Wilson, traffic manager of the Sacramento Northern Railroad, that the present schedule of local trains (five round trips daily) operated on the main

line and terminating at the station of Elverta, such trains serving the stations of North Sacramento and Del Paso (which also would be served by the proposed route herein applied for), had not been a source of profit, and that if further encroachment on the limited business now enjoyed on such trains were to be made, his company would of necessity be compelled to apply to the Railroad Commission for permission to discontinue some of these local trains.

He also directed attention to the fact that commutation rates were effective on such line and that the trains, while few in number, were so scheduled that they serve the majority of their patrons having employment in the city of Sacramento and residing at suburban points between Elverta and Sacramento. Mr. Wilson's objection, on behalf of his company, did not extend to the proposed service as regards the community at North Sacramento, but solely to the encroachment on the business of his company at the station of Del Paso, the community at that point consisting of approximately seventy-five families now served by the Sacramento Northern and who would have their option of continuing such service or patronizing the stage line, should this application be granted.

A. M. Fowler, as protestant, described the conditions under which his operation was conducted and the equipment used in the protection of his schedules. At the present time his operation covers twenty-two round trips per day, the scheduled operation beginning at Ben Ali at 6.05 a.m. and the last trip being operated from Sacramento at 11.25 p.m. Protestant claims to have endeavored faithfully to satisfactorily handle the business and is of the opinion that there is not sufficient traffic available to justify additional service. No definite record was available as to the volume of business or the number of passengers carried, although a statement introduced in behalf of applicant indicated that Carl Brusso, when operating over the same route in competition with the Fowler line, and for a period from July, 1917, to July, 1918, inclusive, averaged in cash fares the sum of \$505.34 per month.

After careful consideration of all the evidence in this proceeding, we are of the opinion and find as a fact that the present stage service operated by A. M. Fowler between Sacramento and Del Paso Park is not adequate to satisfactorily handle traffic offering between Sacramento and North Sacramento.

Applicants have requested a certificate of public convenience and necessity between Sacramento and Del Paso Heights, but in view of the present need for additional and satisfactory automobile stage service between Sacramento and North Sacramento, and of the protests of the Sacramento Northern regarding the granting of a certificate covering the portion of the line between North Sacramento and Del Paso Heights, we are of the opinion that this declaration should be

granted as regards the portion of the line from Sacramento to North Sacramento with the proviso that two round trips may be made to the terminus known as Country Club.

ORDER.

Chris Hansen and Elmer Hansen, partners in business, having petitioned the Railroad Commission for an order declaring that public convenience and necessity require the operation by them of an automobile stage service as a common carrier of passengers between Sacramento and Del Paso Heights and intermediate points, a public hearing having been held, the matter having been duly submitted, and the commission being fully advised and basing its order on the finding of fact as set forth in the preceding opinion,

The Railroad Commission hereby declares that public convenience and necessity require the operation by Chris Hansen and Elmer Hansen, partners in business, of an automobile stage line as a common carrier of passengers between Sacramento and North Sacramento and Country Club; provided, however, that this declaration shall not become effective until said Chris Hansen and Elmer Hansen shall have secured from the Railroad Commission a supplemental order herein reciting that said Chris Hansen and Elmer Hansen have filed herein certified copies of permits from the board of supervisors of the county of Sacramento and the city commission of the city of Sacramento; and provided, further, that the rights and privileges herein granted may not be transferred nor assigned unless the written consent of the Railroad Commission to such assignment or transfer has first been procured.

It is hereby ordered that no vehicle may be operated under this certificate unless such vehicle is owned by the applicants herein or is leased by such applicants under a contract or agreement on a basis satisfactory to the Railroad Commission.

Dated at San Francisco, California, this twenty-ninth day of November, 1918.

DECISION No. 5965.

THE FEATHER RIVER LUMBER COMPANY
vs.
NEVADA-CALIFORNIA-OREGON RAILWAY.

Case No. 1170.

Decided December 2, 1918.

A. Larsson and H. W. Wade, for Complainant.
Sanborn & Roehl, by A. B. Roehl, for Defendant.

LOVELAND, Commissioner.

OPINION.

Complainant is a corporation engaged in the manufacture and sale of forest products and is operating mills in Plumas County, California, in the vicinity of Clio and Delleker.

By complaint filed November 17, 1917, it alleges that the rate of 65 cents per ton on lumber in carload lots from Clio to Delleker, plus a switching charge of \$3.00 per car for movement from the Feather River Lumber Company mill to Clio is unreasonable, discriminatory and in violation of the long and short haul provision of the Public Utilities Act, in that it exceeded a rate of 65 cents per ton contemporaneously maintained by defendant on lumber from Davies to Delleker, involving a longer haul on the same direct line. The commission is asked to remove the discrimination, establish reasonable rates for the future, and award reparation.

The evidence introduced at the hearing held in San Francisco August 16, 1918, is to the effect that while the line haul rate of 65 cents per ton from Clio to Delleker is assailed, complainant's attack is directed principally against the switching charge of \$3.00 per car between complainant's mill and Clio, and to recovery of reparation for amounts paid to cover switching charges during the two-year period prior to the filing of this action. Four matters are to be adjudicated: the reasonableness of the main-line rate, the switching charge, the violation of the long and short haul provision of the Public Utilities Act, and the payment of reparation.

At the time this complaint was filed defendant was operating a narrow-gauge railroad between Reno, Nevada, and Lake View, Oregon, crossing the Western Pacific at Hackstaff, California, with a branch line extending from Plumas Junction west through Delleker and Clio to Davies. The movement of freight between Davies and Delleker is intrastate and the rate of 65 cents per ton on lumber applying from either Davies or Clio to Delleker is published in Defendant's Local and Joint Freight Tariff No. 9—A. C. R. C. No. 45.

Early in the year 1917, the Western Pacific Railroad purchased a part of the Nevada-California-Oregon Railway, including the branch line extending from Plumas Junction to Davies, and this commission, by its Decision No. 4288 in Application No. 2813, dated May 2, 1917, Opinions and Orders of the Railroad Commission of California, Vol. 13, page 135, authorized the abandonment of the line and the discontinuance of the service. Effective February 10, 1918, as per Supplement No. 14 to Freight Tariff No. 9—A, C. R. C. No. 45, all rates and service between Davies-Clio and Delleker were canceled.

Complainant introduced no direct evidence to prove that the main-line rate of 65 cents per ton was excessive, and since the line over which the rate formerly applied has been abandoned and the situation

prevailing under the rates under attack no longer exists, this commission could make no order for the future, and it therefore follows that this part of the complaint must be dismissed.

The switching charges are published in defendant's Terminal Tariff No. 7, C. R. C. No. 50, in Item No. 16-B. This item, on June 1, 1915, reads as follows:

"Except as may be otherwise specifically provided, carload rates named in the various tariffs of the Nevada-California-Oregon Railway apply to and from regular transfer, team or sidetracks of the carrier within yard limits at all stations, and include the switching of cars, both loaded and empty, to and from such tracks. * * *

For switching loaded cars between Clairville, California, and the Feather River Lumber Company's mill at Clairville, \$3.00 per car, regardless of weight.

For switching loaded cars between Clio, California, and the Feather River Lumber Company's mill at Clio, \$3.00 per car, regardless of weight.

All less carload rates named in the various tariffs of carrier apply only to or from the regular freight depot except that on shipments originating at or destined to points beyond the lines of these companies, the rates apply to and from points of transfer with connecting line."

On February 1, 1916, Item No. 16-C became effective:

"Except as may be otherwise specifically provided in this tariff, the carload rates applicable to or from points on this company's lines as published in this company's tariffs, or in tariffs in which this company is shown as a participating carrier, and lawfully on file with the Interstate Commerce Commission or State Commissions, apply to or from the depots of this company; to or from all industry tracks served by its rails and within its switching limits, also to or from interchange tracks with connecting lines at points of interchange, but do not include cost of transfer from standard gauge to narrow gauge cars, not from narrow gauge cars to standard gauge cars at point of interchange.

For switching loaded cars between Clio, California, and the Feather River Lumber Company's mill at Clio, \$3.00 per car, regardless of weight.

All less carload rates named in the various tariffs of carriers apply only to or from the regular freight depots, except that on shipments originating at or destined to points beyond the lines of these companies, the rates apply to and from points of transfer with connecting line."

The mill of complainant is not located on defendant's main-line tracks, but is reached by a siding about four thousand feet long owned by defendant, although the testimony indicates that complainant participated in furnishing some material for the construction of the line. As shown by the items in the Terminal Tariff, defendant has always maintained and has published a charge of \$3.00 per car for movements between the Feather River Lumber Company's mill and Clio, thus indicating that the mill was never treated as being on the main line of defendant or within the switching limits of Clio station.

Davies is approximately 2.65 miles west of Clio and traffic moving from Davies to Delleker would pass through the Clio station, but since the mills of the Feather River Lumber Company are on what may be termed a branch line, southerly from Clio, a movement from Davies to Delleker would not pass through the Feather River Lumber Company's mills, and the testimony further shows that no shipments have ever moved from Davies to Delleker under the 65-cent rate.

By the provisions of section 24 (a) of the Public Utilities Act, there can be no long- or short-haul violation unless the carrier shall charge or receive a greater compensation for a shorter than for a longer distance over the same line, and it follows that in order to hold this defendant responsible for a violation of this provision of the act it must be affirmatively established that traffic actually moved at the lower rate from the more distant point. For this reason and for the further fact that the Feather River Lumber Company's mill has always been treated by tariff publication as a station separate and distinct from Clio, there can be but one conclusion, which is that in this case there has been no long- and short-haul violation.

Defendant maintains that because of the close proximity of the Western Pacific to the Davies mill they were forced to meet competitive conditions there which did not exist at Clio, and for this reason they extended the Clio main-line rates to include the Davies mill when operations were first commenced at that point in November, 1916. It was further shown that the operating conditions were entirely dissimilar at the two shipping points and that the Davies mill required but little service as compared with the Feather River Lumber Company's plant.

There is testimony to the effect that complainant paid the transportation charges from its mill to Delleker and that such traffic was in competition with like traffic from the Davies mills in the ultimate consuming markets. The record is clear, however, that the branch line was not extended from Clio to Davies until August 1, 1916, about one year and a half prior to the abandonment of the line and some nine years after the spur was constructed from Clio to complainant's mill; further, that direct competition was absent, as no shipments of lumber ever moved from Davies to Delleker.

In view of the fact that the Nevada-California-Oregon Railway no longer operates between Davies-Clio and Plumas Junction, and for the further reason that no damages have been proven due to alleged discrimination in rates between the two shipping points, I am of the opinion that the prayer for reparation should be denied and the complaint dismissed.

ORDER.

Public hearing having been held in the above-entitled proceeding and the same having been submitted and being now ready for decision.

It is hereby ordered that the complaint be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this second day of December, 1918.

DECISION No. 5972.

IN THE MATTER OF THE APPLICATION OF THE HUNTINGTON BEACH WATER COMPANY FOR AN ORDER AUTHORIZING INCREASE IN WATER RATES IN AND ADJACENT TO THE CITY OF HUNTINGTON BEACH, CALIFORNIA.

Application No. 4071.

Decided December 3, 1918.

H. L. Heffner and H. V. Anderson, for Applicant.

A. P. Nelson, city attorney, for city of Huntington Beach.

S. H. Finley, *in propria persona*, in business as East Side Water Company.

BY THE COMMISSION.

OPINION.

In above application, Huntington Beach Water Company asks authority to increase its rates for water served in and about Huntington Beach, Orange County.

A public hearing upon the application was held by Examiner Westover at Huntington Beach.

The application alleges in effect that the existing rates do not produce a sufficient revenue to afford applicant expenses of operation, depreciation and return on the investment, and asks that a fair and remunerative rate schedule be established.

The present rates were established by the commission in Decision No. 1730 of August 14, 1914. (See Vol. 5, Opinions and Orders of the Railroad Commission of California, p. 237.) They are as follows:

Minimum charge, 500 cubic feet or less-----	\$1 00 per month
Next 4,000 cubic feet -----	10 per 100 cubic feet
Over 4,500 cubic feet -----	06 per 100 cubic feet

In above Decision No. 1730 the commission held that the system was overbuilt and that the present consumers should not be charged rates based upon the entire cost of construction. It was estimated that the plant was then serving one-sixth of the consumers which it was then prepared to serve, and that allowing the cost of a plant double the size necessary to serve its consumers would be reasonable as a rate base. A return was therefore allowed applicant on one-third of the estimated plant cost.

Since that decision additional area has been piped for service and the number of consumers has increased so that the system now serves about one-fifth of the consumers it is now prepared to serve. Applying the method used in Decision No. 1730, we will allow herein a return upon two-fifths of the estimated plant cost as a charge against the present consumers.

Using the valuation in the above rate proceeding which resulted in Decision No. 1730, and also the valuation in proceedings by which

applicant was authorized to acquire the system and issue stock therefor, as set forth in Decision No. 4137, of February 28, 1917 (Vol. 12, Opinions and Orders of the Railroad Commission of California), and added betterments and improvements since installed, the commission's engineers estimate the reproduction cost new of the system to October 1, 1918, to be \$127,116.00. Two-fifths of this amount is \$50,846.00, which is used herein as a basis for rates.

Applicant's recent revenue and expenses are reported as shown in table below, from which it appears that it has not earned an adequate return.

Huntington Beach Water Company, Revenue and Expenses.

	1915	1916	1917	1918*
Pumping expense	\$1,917 18	\$1,843 18	\$1,913 27	\$2,020 00
Distributing expense	893 88	1,076 67	832 89	890 00
Commercial expense	211 74	281 11	225 96	220 00
General expense	3,550 83	3,628 70	3,762 85	3,500 00
Taxes	1,387 69	1,220 05	1,152 98	1,200 00
Total operating expenses.....	\$7,961 32	\$8,049 71	\$7,787 95	\$7,830 00
Gross revenue	10,354 00	12,005 00	10,840 00	11,400 00
Net operating revenue.....	\$2,393 00	\$3,955 00	\$3,052 00	\$3,570 00

*1918 revenue and expenses are estimated on basis of 9 months' period.

Applicant anticipates no increase in number of consumers in the near future and we have made no allowance therefor. It appears that the estimated expenditure during 1918 is a fair criterion of what will occur in the future and is a reasonable amount to include in the required annual charges shown below:

Return on \$50,846.00.....	\$4,068 00
Annuity for depreciation.....	1,810 00
Maintenance and operation.....	7,830 00
Total annual charges	\$13,708 00

The above annuity is computed by the sinking fund method based on the estimated cost new of the plant and system. In the earlier rate proceeding the annuity was computed by the straightline method, using as a basis the estimated cost new of the plant and system less depreciation. The effect upon resulting rates is found to be about the same.

From data on water use submitted and from available records, it is estimated that the rate schedule set out in the order following will at least produce the annual charges set out above.

ORDER.

Huntington Beach Water Company having applied to the Railroad Commission for authority to increase the rates charged for water in

and about Huntington Beach, Orange County, and a public hearing having been held,

It is hereby found as a fact by the Railroad Commission of the state of California that the rates herein established are just and reasonable rates and that the rates heretofore charged by the Huntington Beach Water Company are unjust and unreasonable in so far as they differ from the rates herein established; and basing its order on the foregoing findings of fact and on the further findings of fact contained in the opinion preceding this order,

It is hereby ordered by the Railroad Commission of the state of California that the Huntington Beach Water Company be and it is hereby authorized to file with the commission within twenty days from the date of this order and thereafter charge and collect the following rates:

Minimum payment for 400 cubic feet-----	\$1 00
Next 3,000 cubic feet, per 100 cubic feet-----	15
Over 3,400 cubic feet, per 100 cubic feet-----	10
Fire hydrant rentals:	
2 -inch -----	\$1 25 per month
2½-inch -----	1 50 per month
3 -inch -----	2 00 per month

Dated at San Francisco, California, this third day of December, 1918.

DECISION No. 5973.

IN THE MATTER OF THE APPLICATION OF OCEAN PARK HEIGHTS LAND AND WATER COMPANY FOR PERMISSION TO RAISE THE RATES FOR WATER FURNISHED CONSUMERS.

Application No. 3990.

Decided December 3, 1918.

Walter A. Burke, for Applicant.

John L. Flemming, for Protestants.

BY THE COMMISSION.

OPINION.

This is an application of the Ocean Park Heights Land and Water Company for authority to increase its rates for water served in and about Ocean Park Heights, Los Angeles County.

A public hearing upon the application was held by Examiner Westover in Los Angeles.

The company alleges in effect that its rate schedule has not produced a fair and reasonable revenue for the service rendered and prays that remunerative rates be established.

The present rates were established by the commission in Decision No. 2065 of January 13, 1915, reported in Vol. 6, Opinions and Orders of the Railroad Commission of California, page 44, and are as follows:

Minimum payment for 500 cubic feet.....	\$1 25
Next 1,500 cubic feet, per 100 cubic feet.....	20
Over 2,000 cubic feet, per 100 cubic feet.....	15

In that decision the commission held that the water system was acquired through the purchase of real estate without separate payment for the water utility property, but there had been an expenditure of \$3,256.00 for new installations, upon which a return was allowed. Since that time there has been added \$454.00 to the plant in services and meters, making the total expenditure \$3,710.00, which is a reasonable amount on which to base depreciation and rates to be paid by present consumers.

Applicant's operations in recent years, shown by its annual reports and its records, are shown in the following table:

Ocean Park Heights Land and Water Company, Operating Revenue and Expenses.

	1915	1916	1917	1918*
Electric power	\$362 60	\$403 80	\$421 80	\$465 00
Superintendence and labor.....	720 00	710 00	600 00	680 00
Office employees	300 00	300 00	300 00	300 00
Supplies and repairs	133 55	169 28	230 93	414 00
Taxes	86 82	57 49	67 06	70 00
Insurance	15 00	15 00	15 00	15 00
Operating expenses	\$1,617 97	\$1,655 57	\$1,634 79	\$1,924 00
Operating revenue	1,804 54	1,720 24	2,016 19	2,010 00
Net operating revenue.....	\$186 57	\$64 67	\$391 40	\$86 00

*Estimated on basis of first 9 months in 1918.

The commission's engineers report after investigation that the maintenance and operation expense is reasonable. The average is \$1,708.00 per year. They compute the annuity for depreciation at \$200.00.

The present revenue is sufficient to meet ordinary operating and maintenance charges and depreciation, but does not provide a return on investment for which we allow \$297.00. The rate established in the order is based on water use data submitted, and is estimated to produce the annual charges set forth above.

ORDER.

Ocean Park Heights Land and Water Company having applied for authority to increase rates, a public hearing having been held and the commission being fully advised in the premises,

It is hereby found as a fact that the rates herein established are just and reasonable rates, and that the rates heretofore charged by the Ocean

Park Heights Land and Water Company are unjust and unreasonable in so far as they differ from the rates herein established.

Basing its order on the foregoing finding of fact and on the further findings of fact contained in the opinion preceeding this order,

It is hereby ordered that Ocean Park Heights Land and Water Company be and it is hereby authorized to file with the Railroad Commission within twenty days from the date of this order and thereafter charge and collect the following rates for water served in Ocean Park Heights and vicinity.

Monthly minimum for 400 cubic feet or less	\$1 00
Between 400 and 2,000 cubic feet, per 100 cubic feet.....	21
Over 2,000 cubic feet, per 100 cubic feet.....	18

Dated at San Francisco, California, this third day of December, 1918.

DECISION No. 5974.

IN THE MATTER OF THE APPLICATION OF MOORE PARK WATER, LIGHT AND POWER COMPANY, A CORPORATION, FOR CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE EXERCISE OF FRANCHISE RIGHTS.

Application No. 3558.

IN THE MATTER OF THE APPLICATION OF MOORE PARK WATER, LIGHT AND POWER COMPANY, A CORPORATION, FOR AUTHORITY TO INCREASE RATES.

(Land prices based on war values can not be used in arriving at rate base for utility rates.)

Application No. 3559.

Decided December 3, 1918.

Messrs. Bowker and Sheridan, by Robert M. Sheridan, for Applicant.

BY THE COMMISSION.

OPINION.

Applicant requests authority to increase rates charged for domestic service of water in Moorpark, Ventura County, and for a certificate that public convenience and necessity require it to exercise certain franchise rights.

A public hearing upon both applications was held by Examiner Westover at Moorpark.

A comprehensive history of the development of applicant's system and its financing is contained in Decision No. 3332 of May 13, 1916, Vol. 10, Opinions and Orders of the Railroad Commission of California, page 91.

At the time of the hearing of Application No. 2079, upon which the above Decision No. 3332 is based, it was supplying 63 active services. At the time of the hearing it had 88 active services.

Applicant develops water in the hills near Moorpark by tunnels, from which it is led by gravity to storage tanks with a total capacity of 35,000 gallons, and thence distributed to its consumers.

Applicant estimates that the flow of its tunnel in May, 1917, amounted to 1.24 miner's inches, and that in January, 1918, before the seasonal rains, the flow was about 0.9 of a miner's inch. To conserve this limited water supply applicant proposes to meter all services, a plan of which we heartily approve.

Applicant presented an appraisal of its assets, based principally, so far as physical properties are concerned, upon war prices, and placing a value of \$5,000.00 upon its five acres of water-bearing land. Based on such estimate, applicant claims \$11,525.94 as a proper rate base.

The testimony shows that highly developed lands in the immediate vicinity, in bearing orchards of walnuts or apricots sell at about \$500.00 or \$600.00 per acre, and that so-called hill lands similar to applicant's water-bearing lands, can be bought at \$100.00 to \$200.00 or \$300.00 per acre, depending upon quality and location. It also appeared in evidence that applicant has an option to purchase a lot for \$150.00 from which it believes that an ample water supply can be developed by a well.

In view of all the testimony, it seems to us that the present rate-payers should not be required to pay upon a larger valuation than cost for the five acres of land, and that amount will be allowed for that purpose.

Mr. C. H. Loveland, one of the commission's hydraulic engineers, made an appraisal of the system, basing costs on average prices for ten years preceeding the war period. His estimated cost new of the physical properties, excluding real estate, is \$6,758.00, and the annual depreciation on a 5 per cent sinking fund basis \$140.00.

The actual cost of the system to applicant, including the water-bearing lands, was approximately \$5,308.00. In view of the fact that Moorpark is still in its development stage and is sparsely settled, it will be dealing liberally with applicant if interest on the cost of its system to date is included in the rate base.

For the year ended December 31, 1917, applicant reported a gross income of \$1,350.85 from its present flat rates, and operating expenses of \$538.35, not including depreciation or any salary for management. Mr. Loveland estimated the total annual charges for operation of the system fully metered, including interest at 8 per cent per annum on applicant's actual investment, cost of maintenance and operation including managerial salary and an ample annuity for depreciation, at the total sum of \$1,600.00. It is estimated that the schedule of rates found in the order will produce at least that sum annually. Under

the circumstances there is no need to modify applicant's existing flat rates, which upon investigation appear to be ample.

Applicant reports that in extending mains, the county of Ventura required it to procure a franchise which is contained in Ordinance No. 202, adopted January 2, 1918. In Application No. 3558, it seeks authority to exercise the rights acquired under said franchise. Such authority is contained in the order, together with the rates which it is believed will produce a suitable return to applicant upon its investment after suitable allowance is made for maintenance and operation of the system, and for annual depreciation.

ORDER.

Moore Park Water, Light and Power Company having applied for authority to exercise certain franchise rights and to increase its rates charged for domestic service of water in Moorpark, Ventura County, a public hearing having been held, the matter having been submitted and being now ready for decision,

It is hereby ordered that Moore Park Water, Light and Power Company be and it is hereby ordered to install meters upon all of its domestic service within six months from date hereof.

It is hereby further ordered that Moore Park Water, Light and Power Company be and it is hereby authorized to establish and file with the commission within thirty (30) days from date and thereafter to charge and collect for water served through meters the following schedule of monthly rates:

500 cubic feet or less-----	\$1 00
Next 1,500 cubic feet, per 100 cubic feet-----	15
Over 2,000 cubic feet, per 100 cubic feet-----	10
Water furnished tank wagons, per barrel-----	05
Minimum tank wagon charge, for each filling-----	50

It is further ordered that applicant's present flat rates shall remain in effect until its system is fully metered and be applied to unmetered services. As rapidly as meters are installed, above measured rates shall be applied.

The Railroad Commission of California hereby declares that public convenience and necessity require the exercise by Moore Park Water, Light and Power Company of the rights and privileges conferred by Ordinance No. 202 of the county of Ventura, adopted January 2, 1918.

Provided, that said Moore Park Water, Light and Power Company shall first have filed with the Railroad Commission a stipulation duly authorized by its board of directors declaring that it, its successors and assigns will never claim before the Railroad Commission or any court, tribunal or other public body a value for said rights and privileges in excess of the actual cost to said Moore Park Water, Light and Power Company of acquiring said rights and privileges, which costs

shall be set forth in the stipulation, and shall thereafter have received from the Railroad Commission a supplemental order declaring that such stipulation has been filed in form satisfactory to the Railroad Commission.

Dated at San Francisco, California, this third day of December, 1918.

DECISION No. 5977.

IN THE MATTER OF THE APPLICATION OF ECONOMIC GAS COMPANY,
A CORPORATION, FOR AN ORDER AUTHORIZING THE RENEWAL
OF A PROMISSORY NOTE OF THIRTY THOUSAND DOLLARS.

Application No. 4224.

Decided December 5, 1918.

Chickering & Gregory and W. C. Fox, for Applicant.

DEVLIN, *Commissioner.*

OPINION.

Economic Gas Company asks authority to issue a three-months 6 per cent promissory note to the Citizens National Bank of Los Angeles in the principal sum of \$30,000.00 for the purpose of renewing a note of like amount now outstanding. Applicant also asks permission to renew said note from time to time for a period not exceeding one year.

The issue of the note which applicant desires to renew was authorized by the Railroad Commission in Decision No. 4731, dated October 8, 1917 (Vol. 14, Opinions and Orders of the Railroad Commission of California, p. 228).

Applicant reports that the payment of the \$30,000.00 note is secured by a deposit of \$45,000.00 of bonds issued pursuant to the authority granted in Decision No. 3544, dated July 27, 1916 (Vol. 10, Opinions and Orders of the Railroad Commission of California, p. 638). Applicant asks permission to use the \$45,000.00 of bonds as collateral for the note which it intends to issue pursuant to the authority herein granted.

I herewith submit the following form of order:

ORDER.

Economic Gas Company having applied to the Railroad Commission for authority to issue a 6 per cent promissory note in the principal sum of \$30,000.00, a public hearing having been held and it appearing that the moneys to be procured by the issue of the note are reasonably required for the purpose specified in the order,

It is hereby ordered that Economic Gas Company be and it is hereby authorized to issue for not less than the face value thereof a promissory note to Citizens National Bank of Los Angeles in the principal sum of \$30,000.00, payable three months after date and bearing interest at

not to exceed 6 per cent per annum, and to issue and pledge as collateral security for the payment of said note \$45,000.00 face value of bonds referred to in Decision No. 3544, dated June 27, 1916.

The authority herein granted is upon the following conditions, and not otherwise:

1. The proceeds from the sale of the note herein authorized to be issued shall be used by applicant solely for the purpose of paying the \$30,000.00 indebtedness due Citizens National Bank of Los Angeles.

2. Applicant may renew the note herein authorized to be issued from time to time provided that the term of the note herein authorized and the renewals thereof shall not exceed one year.

3. Economic Gas Company shall keep separate, true and accurate accounts showing the receipt and application of the proceeds of the note herein authorized to be issued and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission in accordance with the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted shall apply only to such note and such renewals thereof as may be issued on or before November 1, 1919.

The foregoing opinion and order are hereby approved and order filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this fifth day of December, 1918.

DECISION No. 5978.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA
EDISON COMPANY FOR AUTHORITY TO REFUND CERTAIN NOTES.

Application No. 4245.

Decided December 5, 1918.

A. N. Kemp, for Applicant.

LOVELAND, *Commissioner.*

OPINION.

Southern California Edison Company asks authority to issue, at par, \$626,500.00 face value of 6 per cent notes for the purpose of refunding or renewing the notes set forth in Exhibit "A" attached to the petition herein.

In Exhibit "1" applicant reports that to September 30, 1918, it has expended \$1,748,243.54 for capital purposes against which it has issued no bonds or stock. In view of the fact that applicant asks authority to issue only \$626,500.00 of notes, I do not consider it necessary for the purpose of this proceeding to determine the sum total of applicant's

expenditure for capital purposes which have not been financed through the issue of bonds or stock. The record shows that applicant's capital expenditures against which no stock or bonds have been issued, are in excess of \$626,500.00.

I herewith submit the following form of order:

ORDER.

Southern California Edison Company having applied to the Railroad Commission for authority to issue \$626,500.00 of 6 per cent notes, a public hearing having been held, and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Southern California Edison Company be and it is hereby granted authority to issue, at not less than par, for a term of one year or less, \$626,500.00 face value of notes, bearing interest at not to exceed 6 per cent per annum, for the purpose of refunding or renewing the notes set forth in Exhibit "A" attached to the petition herein.

The authority herein granted is upon the following conditions:

1. Applicant may, if it so desires, issue the notes herein authorized for a period of less than one year and refund and renew said notes from time to time, provided that the combined terms of the notes issued pursuant to the authority herein granted does not exceed one year beyond the date of the maturity of the notes set forth in Exhibit "A" attached to the petition herein.

2. Southern California Edison Company shall keep separate, true and accurate accounts relative to the issue of the notes herein authorized, and on or before the twenty-fifth day of each month, shall make verified reports to the Railroad Commission in accordance with the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted shall not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

4. The authority herein granted shall apply only to such notes as may be issued on or before November 30, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this fifth day of December, 1918.

DECISION No. 5979.

DELLA W. JONES, F. T. GEARHART, CONSTANCE M. WOOD, ALBERT W. EARNEST, J. D. SLYDER, MRS. EMILY FULLER, MRS. G. D. EASTMAN, D. J. SLYDER, J. W. DAVIS, W. C. BROOKS, W. H. TURNER, R. S. ROCKETT, T. H. WHITING, M. KEANS, MRS. A. C. FILES, GEO. R. TREBBS

vs.

JONATHAN S. DODGE AND T. L. DUDLEY, TRUSTEES.

Case No. 1259.

Decided December 5, 1918.

Della W. Jones and W. A. Earnest, for Complainants.

Victor T. Watkins, for Defendants.

BY THE COMMISSION.

OPINION.

The above-entitled proceeding was brought by seventeen users of water from the water system operated by defendants, supplying water to the so-called Richland Farm Tract, Los Angeles County.

The complaint herein alleges in effect that defendants own and operate a public utility water system and deliver water for compensation to residents of Richland Farms Tract No. 1473, near Compton, Los Angeles County; that water service is inadequate in that an insufficient quantity is delivered and service is intermittent. Complainants ask that defendants be directed to supply an adequate quantity of water and exercise proper supervision over its distribution.

Defendants, in their answer, deny all the material allegations of the complaint and allege that they have held and operated the water plant in question as trustees for complainants and other owners of lots in the Richland Farms Tract. It is further alleged that the rates charged are for the maintenance and operation of the system and that the plant is owned by the owners of lots of the Richland Farms Tract, among whom are all the users of water, and is, therefore, a mutual water company.

A public hearing was held before Examiner Encell in Los Angeles.

The so-called Richland Farms Tract No. 1473 was placed on the market by Jonathan S. Dodge and Charles O. Middleton, as trustees for the owners of the tract. A water system was constructed as a part of the campaign for the sale of real estate. In 1914 the interest of Charles O. Middleton was acquired by T. L. Dudley and the business has since been carried on by Messrs. Dodge and Dudley as trustees.

The form of contract of sale provides in part as follows:

"Also as an appurtenance to said land, the beneficial use thereon of an undivided interest in all the water which has been or may be developed and distributed by the wells, pumping plant and pipe lines upon the tract of 165 acres owned by the sellers, of which said tract above described forms a part, said interest to be in the proportion which the amount of land hereby contracted to be sold bears to said entire tract of 165 acres: * * * ."

The contract also provides:

"The sellers shall have and hold as trustees, the title, management and regulation of rates of said wells, pumping plant and pipe lines and the necessary rights of way therefor until the owners of three-fourths in interest of said 165 acres shall form a committee of trustees or other organization to take over the title, regulation and management of said water system and which may be consummated by said owners of three-fourths in interest when they shall so determine."

The deed conveying the property to the various purchasers also provided for the transfer of an undivided interest in the pumping plant and water system to each of the lot purchasers, and contained a clause similar to that quoted above from the contract of sale.

The evidence shows that water has been sold only to purchasers of lots within the tract and that defendants are not operating or managing a water system delivering water for compensation as provided in the Public Utilities Act.

It further appears that the water plant in question was organized and has been and is operated for the purpose solely of delivering water to its stockholders or members at cost, and is, therefore, not subject to the jurisdiction of this commission.

ORDER.

A public hearing having been held in the above-entitled proceeding, and the matter having been submitted and being now ready for decision,

It is hereby ordered by the Railroad Commission of the state of California that the complaint be and it is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this fifth day of December, 1918.

DECISION No. 5983.

IN THE MATTER OF THE APPLICATION OF THE QUINCY WESTERN RAILWAY COMPANY AND QUINCY LUMBER COMPANY FOR PERMISSION TO ENTER INTO A CERTAIN CONTRACT FOR THE SALE AND PURCHASE OF A RAILROAD, ITS APPURTENANCES AND EQUIPMENT, AND THE QUINCY WESTERN RAILWAY COMPANY, QUINCY LUMBER COMPANY AND QUINCY RAILROAD COMPANY FOR PERMISSION TO MAKE CONVEYANCE OF SAID RAILROAD, ITS APPURTENANCES AND EQUIPMENT, TO QUINCY RAILROAD COMPANY, AND FOR AUTHORITY TO QUINCY RAILROAD COMPANY TO ISSUE STOCK.

Application No. 3307.

Decided December 16, 1918.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas the Railroad Commission, by Decision No. 4891, dated November 27, 1917, authorized Quincy Railroad Company to issue, at

not less than the par value thereof in cash, \$40,000.00 of its common capital stock and use \$25,000.00 of the proceeds to purchase the properties of the Quincy Western Railway Company—the remainder of the proceeds from the sale of the stock to be expended only for such purposes as may be hereafter designated by the Railroad Commission in a supplemental order; and

Whereas Quincy Railroad Company has filed with the Railroad Commission a supplemental petition for authority to use \$4,700.00 of the proceeds from the sale of this stock to pay in part for a gasoline motor car, turntables, switches and a building to house the motor car, and \$300.00 to pay organization expenses; and

Whereas applicant reports that through funds advanced by H. J. Hoffman, W. C. Reynolds and the F. S. Murphy Lumber Company, it has acquired the properties and paid the expenses referred to herein, and the Railroad Commission being of the opinion that the supplemental petition should be granted,

It is hereby ordered that Quincy Railroad Company be and it is hereby granted authority to issue on or before March 1, 1919, at not less than par, \$5,000.00 of its common capital stock for the following purposes:

(a) To liquidate indebtedness due H. J. Hoffman.....	\$50 00
(b) To liquidate indebtedness due W. C. Reynolds.....	150 00
(c) To liquidate in part the indebtedness due the F. S. Murphy Lumber Company.....	4,800 00

Quincy Railroad Company shall keep a true and accurate record of the issue of the stock herein authorized and shall on or before the twenty-fifth day of each month, until all of said stock has been issued and the proceeds expended, file with the Railroad Commission reports as required by the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

Dated at San Francisco, California, this sixteenth day of December, 1918.

DECISION No. 5985.
J. A. RODDICK ET AL.
vs.
H. G. LACEY COMPANY.

Case No. 1232.

Decided December 16, 1918.

F. J. Emmons and J. A. Hinman, for Complainants.
Harry J. Bauer, for Defendant.

BY THE COMMISSION.

OPINION.

This is a complaint by J. A. Roddick and 25 other consumers of the H. G. Lacey Company, an electric utility, alleging that defendant's

rates are excessive, extortionate, unreasonable, discriminatory and disproportionate; that defendant has not supplied steady voltage for proper operation of lamps and that the street lighting system supplying the city of Hanford is not properly maintained; that arbitrary methods are used in fixing consumers' demands and that bills rendered to consumers are not complete in their statement of accounts.

A hearing was held by Examiner Encell at Hanford October 5, 1918, at which time the matter was tentatively submitted. A further hearing was held in San Francisco, October 16, 1918, and in the absence of any further evidence, the matter was, by stipulation, submitted for decision.

H. G. Lacey Company, defendant herein, operates an electric distributing system in and about the city of Hanford, Kings County, California, supplying electricity for heat, light and power. Defendant's supply of electricity is obtained by purchase from the San Joaquin Light and Power Corporation.

It appears from the testimony that the service of defendant had in some respects been of a lower standard than is generally supplied by electric utilities, as is also true of certain of the methods of dealing with consumers as set forth in the complaint. Defendant shows plainly that such conditions had been remedied and that at the time of the hearing herein, a fair standard of service was being maintained and that a substantial change had been effected in the methods of dealing with consumers. Defendant did not deny that in certain of these respects its service and methods had been subject to criticism.

We are of the opinion that the standards of service and the methods of business of defendant herein have been sufficiently improved to satisfy the items complained of. There remains only a consideration of the reasonableness of defendant's rates charged the public. The rates and charges for electricity as set forth in defendant's schedule of rates on file with the commission are, in general, identical with those charged for similar service by the San Joaquin Light and Power Corporation as established by the Railroad Commission in its Decisions No. 3241 and No. 3277 in Application No. 1666.

Subsequently, by Decision No. 5449 in Application No. 3531, San Joaquin Light and Power Corporation has been authorized to add 10 per cent to its rate schedules. The defendant's rates are, therefore, lower than the rates now charged by the San Joaquin corporation for the same classes of service in contiguous territory. The price paid by defendant to San Joaquin Light and Power Corporation for energy purchased at wholesale is now subject to a 10 per cent increase in rates. Defendant's operating expenses have increased materially during a period of several years past. The evidence herein shows that prior to the year 1917 defendant's business was very remunerative, but that during the years 1917 and 1918 to date, its margin of earnings has been

reduced as a result of increased operating expenses. It appears from the evidence in this application, however, that if the estimated operating expenses are corrected for federal taxes chargeable to income, and an adjustment be made for the apparent overestimate of cost of purchased power, defendant's net income at the present time, after the deduction of proper operating expenses and depreciation, will produce a reasonable rate of return. It would be manifestly unequitable to change applicant's rates in the light of existing conditions.

ORDER.

J. A. Roddick et al., having complained against the rates and service of H. G. Lacey Company, a hearing having been held, and the matter submitted and now ready for decision, the Railroad Commission of the state of California hereby finds as a fact that the rates and charges of H. G. Lacey Company now on file with the Railroad Commission are just, fair and reasonable rates and that the service and methods of the H. G. Lacey Company are in general of a satisfactory character.

Based on the foregoing findings of fact, and on the findings of fact set forth in the opinion which precedes this order,

It is hereby ordered that the above-entitled proceeding be and the same is hereby dismissed.

Dated at San Francisco, California, this sixteenth day of December, 1918.

DECISION No. 5986.

IN THE MATTER OF THE APPLICATION OF THE CALIFORNIA COMPANY FOR AN ORDER APPROVING AND RATIFYING THE EXECUTION AND DELIVERY OF A PROMISSORY NOTE AND MORTGAGE.

Application No. 4126.

Decided December 16, 1918.

LOVELAND, *Commissioner.*

OPINION.

The California Company asks the Railroad Commission to ratify and approve the issue of a two-year 6 per cent note for the principal sum of \$5,000.00 and the execution of a mortgage securing the payment of the note.

The California Company reports that it owns a water plant and system situate in Calaveras County, and known as the Salt Spring Valley Reservoir; that it was originally organized and conducted business as a private mining corporation, using the Salt Spring Valley Reservoir, with its ditch system, for the purpose of carrying on hydraulic mining

near Jenny Lind, Calaveras County, and that since the cessation of its mining operations, more than fifteen years ago, it has held its property intact, with the exception of permitting others to use some of the waters collected in its reservoir.

On May 15, 1917, without an order from the Railroad Commission, applicant issued to J. H. Southwick its two-year 6 per cent note and executed a mortgage covering all of its properties, to secure the payment of the note. At the time the note was issued, and even now, applicant reports that it is doubtful whether it is a public utility. However, for the purpose of removing all doubt as to the validity of the note and mortgage, applicant has filed this application.

For the purpose of this proceeding, the commission must obviously assume that applicant is a public utility. From this assumption it follows that both the note and mortgage are void. To represent the moneys loaned by J. H. Southwick to The California Company, I recommend that applicant be granted authority to issue its \$5,000.00 6 per cent note payable on or before May 15, 1919, and to execute a mortgage to secure the payment of the note. The note issued and mortgage executed on May 15, 1917, should be canceled.

I herewith submit the following form of order:

ORDER.

The California Company having filed with the Railroad Commission an application for authority to issue a \$5,000.00 note and execute a mortgage as set forth in the foregoing opinion, and a public hearing having been held,

It is hereby ordered that The California Company be and it is hereby granted authority to issue to J. H. Southwick its 6 per cent note in the principal sum of \$5,000.00, payable on or before May 15, 1919, to refund the indebtedness referred to in the petition herein and to execute a mortgage substantially in same form as the mortgage set forth in the petition herein; provided,

1. The authority herein granted shall not become effective until the note issued and the mortgage executed to J. H. Southwick on May 15, 1917, has been canceled.

2. The approval herein given of the mortgage is for the purpose of this proceeding only and an approval only in so far as this commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to such other legal requirements to which such mortgage may be subject.

3. The authority herein granted to issue a note shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

Within ninety days after the date hereof The California Company shall submit to the commission a report showing in what manner it has exercised the authority herein granted.

The authority herein granted shall apply only to such note as may be issued and to such mortgage as may be executed within ninety days after the date hereof.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this sixteenth day of December, 1918.

DECISION No. 5987.

IN THE MATTER OF THE APPLICATION OF SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AUTHORITY TO ISSUE AND PLEDGE BONDS SECURING AN ISSUE OF NOTES AND TO ISSUE, SELL AND DISPOSE OF SUCH NOTES.

Application No. 3631.

Decided December 16, 1918.

BY THE COMMISSION.

FOURTH SUPPLEMENTAL ORDER.

The Railroad Commission having by Decision No. 5502, dated June 19, 1918, as amended, authorized San Diego Consolidated Gas and Electric Company to issue at not less than 95 per cent of their face value plus accrued interest, \$652,800.00 of five-year 6 per cent collateral trust gold notes payable June 1, 1923, and secure the payment of said notes by depositing with the trustee \$816,000.00 of its first mortgage 5 per cent thirty-year gold bonds payable March 1, 1939, provided that the proceeds from the sale of \$216,000.00 of notes be deposited in a special fund and expended only for such purposes as the Railroad Commission may hereafter authorize in a supplemental order or orders;

And San Diego Consolidated Gas and Electric Company having filed on November 25, 1918, in the above-entitled matter, a supplemental petition wherein it reports that from September 1, 1918, to and including October 31, 1918, its net construction expenditures have amounted to \$77,268.56;

And San Diego Consolidated Gas and Electric Company having asked authority to use the proceeds from \$30,800.00 of its five-year 6 per cent collateral trust gold notes to finance in part its construction expenditures during the months of September and October, and through such financing to pay indebtedness set forth in Schedule No. "3" attached to the supplemental petition herein, and the engineering

department of the Railroad Commission finding that applicant's construction expenditures are reasonable, now, therefore,

It is hereby ordered that San Diego Consolidated Gas and Electric Company be and it is hereby granted authority to use the proceeds from \$30,800.00 of its five-year 6 per cent collateral trust gold notes, the issue of which was authorized by Decision No. 5502, dated June 19, 1918, to finance in part its construction expenditures, from September 1, 1918, to and including October 31, 1918, and through such financing to pay in part the indebtedness set forth in Schedule No. "3" attached to the supplemental petition herein.

It is hereby further ordered that the order in Decision No. 5502, dated June 19, 1918, as amended, shall remain in full force and effect, except as modified by this fourth supplemental order.

Dated at San Francisco, California, this sixteenth day of December, 1918.

DECISION No. 5988.

IN THE MATTER OF THE APPLICATION OF J. H. STUBBE FOR ORDER
AUTHORIZING APPLICANT TO INCREASE RATES FOR WATER AT
RAVENSWOOD, SAN MATEO COUNTY.

Application No. 3971.

Decided December 16, 1918.

J. H. Stubbe, in propria persona.

E. E. Humphrey, in propria persona.

BY THE COMMISSION.

OPINION.

J. H. Stubbe applies for authority to increase the rates for water served for domestic uses to about eight consumers in Ravenswood, a suburb of Palo Alto, Santa Clara County.

A public hearing was held upon the application by Examiner Westover at Palo Alto.

Applicant operates in connection with his ranch a small water plant thereon consisting of well, pump, motor, wooden tank, distributing mains and five meters installed. To this was added shortly before the hearing, pump and motor costing \$210.00 to install. The plant was originally installed by the subdividers of the tract, which consists of about 130 acres. The mains consist of 2-, 3- and 4-inch pipes, being much larger and more extensive than are needed to serve the present consumers.

As applicant's system is much overbuilt, and he has but a limited number of consumers, it is apparent that a rate which will be reasonable for the present limited number of consumers to pay, will not permit a

return upon investment in this system or in any system sufficient to serve the present few scattered consumers. We therefore will fix a present rate designed to produce at least the cost of maintenance, operation and depreciation, leaving any surplus which may arise to be applied on account of investment. It is therefore unnecessary to determine in this instance what sum should be used as a rate base on which to compute a return to applicant.

Mr. Wm. Stava, one of the commission's hydraulic engineers, estimates the depreciation annuity at \$128.00, and power bill at about \$72.00 per year.

Applicant desires to increase his rates from \$2.00 per month for general domestic purposes to \$3.00 per month, or \$5.00 a month where lawns and gardens are maintained. The meters installed have not been used as a basis for rates. The testimony shows that a large amount of water is wasted under the flat rates charged.

Applicant testified that the Palo Alto rate applied to a measured quantity of water used by one of his consumers, would have produced a revenue of \$4.00 to \$6.00 a month. Some consumers present expressed willingness to pay increased rates under the circumstances found here.

ORDER.

J. H. Stubbe having applied to the Railroad Commission for an order authorizing him to increase rates for water served for domestic uses, and a public hearing having been held and the matter being now ready for decision, the Railroad Commission hereby finds as a fact that the rates herein established are just and reasonable rates and that the rates heretofore charged by said applicant are unjust and unreasonable, in so far as they differ from the rates herein established.

Basing its order on the foregoing findings of fact and on the further findings of fact contained in the opinion preceding this order,

It is hereby ordered that J. H. Stubbe be and he is hereby authorized to file with the Railroad Commission within twenty days from the date of this order and thereafter charge the following rates for water served to the inhabitants of Ravenswood:

Flat Rates.

For residences of not more than five rooms occupied by single families	\$1 25
For each additional room	15
Private bathtubs or toilets, each	15
Private stables for one horse and buggy, including water used	50
For each additional horse or cow	10
For each additional vehicle	20
For private garages, including water for washing cars, for each car kept	50
For irrigation of lawns, gardens and grounds by use of hose for sprinkling when used with water for household purposes, for the first 100 square yards of ground irrigated	50
For each square yard over 100 square yards	00½
Water for all purposes not specified above will be delivered at measured rates.	

Measured Rates.

300 cubic feet or less-----	\$1 00
For water used between 300 and 2,000 cubic feet, per 100 cubic feet--	25
Over 2,000 cubic feet, per 100 cubic feet-----	18

It is hereby further ordered that J. H. Stubbe be and he is hereby authorized to file with the Railroad Commission within twenty days from the date of this order and thereafter put into effect the following rule:

A meter will be installed on any service upon the request of the consumer, provided the consumer deposit the estimated cost of the installation. Any amount above actual cost will be returned when installation is complete and the remainder of deposit applied on water bills at the rate of one-twelfth per month. J. H. Stubbe may install meters at his option.

Dated at San Francisco, California, this sixteenth day of December, 1918.

DECISION No. 5990.

AL BREITENBECKER AND PINGREE SUGAR COMPANY

vs.

KINGS LAKE SHORE RAILROAD COMPANY.

Case No. 1261.

Decided December 16, 1918.

Bronte M. Aikins, for Complainants.

Chas. King, for Defendant.

LOVELAND, Commissioner.

OPINION.

This complaint alleges that defendant's rate of \$1.00 per ton on sugar beets, in earloads, from Liberty to Corcoran is discriminatory and excessive to the extent that it exceeds 75 cents per ton. Reparation is asked and the establishment of a reasonable rate for the future.

By stipulation, the matters of record in Application No. 3944, being petition of defendant carrier to make general increase in freight rates, decided July 26, 1918, will be considered as being in evidence in this proceeding.

It was further agreed that the commission's auditing department would make an examination of defendant's accounts and prepare a report which would also be considered as being in evidence.

Complainants contend that the existing rate is so high as to preclude the raising of sugar beets in this section at a profit and that it discriminates in favor of producers of grain.

Little testimony was presented in support of this contention, complainants' efforts being devoted mostly to showing that an agreement was entered into between the president of defendant carrier and property owners along its right of way, that freight rates similar to those

of the Santa Fe and Southern Pacific Company would be established in consideration of a cash bonus to be paid the former within a certain period after completion of the road. Defendant denies this allegation and the question is resolved into one of fact which obviously can not be determined from the record.

This, however, is of little consequence for, if the evidence in all other respects justifies such action, it would be incompatible with well established principles to hold that, because of violation of a contractual obligation, defendant should not be permitted to increase its rates.

The rate of \$1.00 per ton complained of from Liberty—or as the tariff shows, from Liberty to Corcoran—is for a distance of 18 miles, while the rate for same distance over roads such as the Southern Pacific or Santa Fe, to which complainants direct attention, is 60 cents per ton.

It is not reasonable, however, to expect a road such as the defendant carrier to maintain rates on as low a basis as prevails on the lines cited in comparison where the volume of traffic, commercial and transportation conditions are entirely dissimilar. Rates that will yield a proper return for a large well established system may prove entirely inadequate for a small branch road.

In Application No. 3944, *supra*, this commission, after taking into consideration applicant's financial condition and revenue requirements established as just and reasonable for the transportation of sugar beets, in carloads, from Harvester to Corcoran, rate of 80 cents per ton for a haul of 15 miles. The rate of \$1.00 per ton complained of from Liberty to Corcoran is practically a proportionate increase over the Harvester rate for the additional distance.

Defendant carrier is peculiarly situated with respect to its operations. While it is necessary to maintain service throughout the year, the revenues of this company are derived chiefly from the transportation of agricultural products during a period of some four or five months after the crops are harvested. It will therefore be seen that defendant must secure sufficient revenue in this short period to enable it to offset the deficit for the remaining months.

This is a newly constructed line built to develop the country it traverses and dependent upon the growth of that section for existence. It should be encouraged to expand and not be retarded. If this road is to serve the useful purpose for which it was created, fair earnings should be allowed, thereby affording opportunity for extension of facilities and improvement in service with corresponding benefit to the territory tributary to its rails.

From an examination of defendant's accounts by the commission's auditing department, it is learned that the capital expenditures amount to approximately \$265,000.00 and that present earnings are insufficient to yield a proper return on this investment.

If the building of this railroad was responsive to the needs of the farmers and shippers in this community, and such appears to be the case, as the testimony shows, they encouraged its construction by subscribing bonuses based on land holdings adjacent to its rails, no obstruction should now be placed in the way of its successful operation. It is suggested that a closer relationship between this carrier and its patrons would undoubtedly increase traffic with resultant diminution of the unit of transportation cost, which condition would ultimately reflect itself in lower rates to the benefit of all concerned.

Viewing the subject from the standpoint of revenue requirements, I am of the opinion that the rate of \$1.00 per ton on sugar beets from Liberty to Corcoran has not been shown to be unreasonable and the case should be dismissed.

I submit the following form of order:

ORDER.

Complaint and answer having been filed in the above-entitled proceeding, a public hearing having been held and the commission being fully apprised in the premises,

It is hereby ordered that the complaint be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco this sixteenth day of December, 1918.

DECISION No. 5995.

IN THE MATTER OF THE APPLICATION OF GREAT WESTERN POWER
COMPANY OF CALIFORNIA FOR AUTHORITY TO REFUND A CERTAIN
PROMISSORY NOTE.

Application No. 4188.

Decided December 18, 1918.

Chaffee E. Hall, for Applicant.

EDGERTON, *Commissioner*.

OPINION.

Great Western Power Company of California asks authority to issue a six-months 6 per cent \$350,000.00 promissory note for the purpose of refunding an indebtedness of \$350,000.00 payable to Bankers Trust Company of New York.

The record shows that on May 7, 1918, Great Western Power Company of California borrowed \$350,000.00 from the Bankers Trust Company and issued as an evidence of such indebtedness its 6 per cent note

payable November 7, 1918. The payment of the note is secured by the deposit of \$570,000.00 of Great Western Power Company bonds owned by the Great Western Power Company of California.

Applicant reports that the \$350,000.00 was loaned by the Great Western Power Company of California to the Great Western Power Company.

I herewith submit the following form of order:

ORDER.

Great Western Power Company of California having applied to the Railroad Commission for permission to issue a six-months 6 per cent \$350,000.00 promissory note, and a public hearing having been held,

It is hereby ordered that Great Western Power Company of California be and it is hereby granted authority to issue a six-months 6 per cent \$350,000.00 promissory note for the purpose of refunding the \$350,000.00 of indebtedness payable to the Bankers Trust Company of New York and referred to in the petition herein; and upon the maturity of the note herein authorized, refund or renew said note through the issue of a six-months \$350,000.00 promissory note bearing interest at not to exceed 6 per cent per annum.

The authority is granted upon the following conditions:

1. Within thirty days after the issue of the notes herein authorized applicant shall make a report of such fact to this commission.

2. The authority herein granted shall not become effective until Great Western Power Company of California has paid the fee prescribed by the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this eighteenth day of December, 1918.

DECISION No. 5997.

**IN THE MATTER OF THE APPLICATION OF THE MONTEREY COUNTY
WATER WORKS FOR PERMISSION TO INCREASE RATES FOR
WATER SERVICE.**

Application No. 3952.

Decided December 21, 1918.

Earl H. Pier, for Applicant.

Fred W. Treat, for city of Monterey.

H. G. Jorgensen, for city of Pacific Grove.

A. P. Frazer, for Carmel-by-the-Sea.

GORDON, *Commissioner*.

OPINION.

The applicant herein, engaged in the business of selling water for domestic, industrial and municipal purposes to residents of Monterey, Pacific Grove, Carmel-by-the-Sea and the adjacent unincorporated territory, asks permission to increase rates.

A public hearing in this matter was held in Monterey on October 18, 1918.

Applicant alleges, in effect, that the net revenue for 1917 gave a return of only 4.035 per cent upon the value of its water system, and asks that rates be increased so as to yield 6 per cent.

At the hearing, applicant asked permission to enter into a contract with the Pacific Improvement Company, under the terms of which the improvement company proposes to construct a dam and reservoir, to store 1,540 acre-feet of water, and agrees to deliver to the applicant 65 per cent of the stored water, provided applicant pays annually 10 per cent of 65 per cent of the cost of construction. This annual payment is estimated as \$8,800.00.

In 1913, the city of Monterey filed a complaint against the rates of the Monterey County Water Works, and subsequently the Monterey County Water Works filed an application asking that its rates be increased. By agreement, the two proceedings were combined for hearing and decision. By its order in Decision No. 1855 the commission established rates to be charged by the Monterey County Water Works, but subsequently, by order in Decision No. 3057, the rates previously established were modified and such modified rates have been in force and effect since February 14, 1916.

In 1915, the Monterey County Water Works filed application with the commission asking permission to transfer part of its property to the Pacific Improvement Company. The property involved consisted of the dam on the Carmel River, the "Carmel Main," the Pacific Grove Reservoir, the "16-inch main," various water rights, rights of way, buildings, Venturi meters, etc. The value of the property to be transferred, as estimated by the commission's engineers, was \$551,570.00, and the value of the property to be retained was estimated as \$842,119.00, including \$11,337.00 of "Current construction for year 1914."

This application was granted by Decision No. 3059.

It should be noted that the Pacific Improvement Company owns all the stock of the Monterey County Water Works except a few qualifying shares.

For further details of these various proceedings before the commission, in which the applicant has been involved, reference may be had to Decisions Nos. 1855, 3057 and 3059. (Vol. 5, Opinions and Orders

of the Railroad Commission of California, p. 530, and Vol. 9, pp. 86 and 91.)

The rates now in effect and those asked for are as follows:

	Rates now in effect	Rates asked for
First 300 cubic feet, per 100 cubic feet.....	\$0 30	\$0 41 $\frac{3}{4}$
300 to 1,000 cubic feet, per 100 cubic feet.....	25	30
Above 1,000 cubic feet, per 100 cubic feet.....	21	25
Monthly minimum, $\frac{1}{4}$ " and $\frac{3}{8}$ " services.....	90	1 25
Monthly minimum, 1" services.....	1 25	1 50
Monthly minimum, 1 $\frac{1}{2}$ " services.....	1 75	2 25
Monthly minimum, 2" services.....	2 25	3 00
Monthly minimum, 3" and larger services.....	3 00	4 00
Fire service, per month per hydrant.....	2 50	2 50
sprinkling roads and streets, per 100 cubic feet.....	21	25
2" and smaller private fire services, per month.....	1 00	1 00
3" private fire services, per month.....	1 50	1 50
4" private fire services, per month.....	2 00	2 00
Presidio at Monterey as per contract with U. S. government....	No	change

The value of the water system retained by the applicant after the transfer of a portion of its property to the Pacific Improvement Company is alleged to be \$829,918.00. This corresponds very closely to the value, on January 1, 1914, as estimated by the commission's engineers.

Investigation of applicant's accounts shows that the net additions to the property, from January 1, 1914, to December 31, 1917, have cost \$29,353.00, making a total value, as of December 31, 1917, of \$859,271.00.

Maintenance and operating expense for 1917, as set forth in the application and in Exhibit No. 1, shows a total of \$41,016.00. This was amended at the hearing to \$39,982.00.

From the testimony introduced at the hearing and from investigation, it develops that the applicant's figures are too high and that several deductions should be made before the actual maintenance and operating expense for 1917 can be determined. These deductions are as set forth below:

Error in charges for taxes.....	\$1,050 00
Maintenance of Pacific Improvement Company's property, the cost of which is included in applicant's maintenance and operating expense	1,352 00
Excess of charges for San Francisco office expense over allowance by commission in Decision No. 1855.....	2,280 00
20 per cent of superintendent's salary to cover work performed by him for Pacific Improvement Company and not paid for.....	720 00
Book charges to cover 10 per cent of cost of repairs to transmission mains, work on which has not yet commenced.....	1,000 00
Depreciation annuity shown under operating expense and which will be considered separately.....	8,320 00
Total deductions	\$14,722 00

The actual maintenance and operating expense for 1917, after making the deductions as outlined above from the total of \$41,016.00, is \$26,294.00.

In Decision No. 1855, under the item of maintenance and operating expense, the commission included an allowance of \$1,540.00 per annum, for ten years, for the amortization of certain extraordinary expense incurred by the applicant prior to 1914. This is still in effect.

The applicant claims that costs of labor and materials have advanced strongly in the past few years and are still advancing. This is due to war conditions and the claim is substantiated by the increase of maintenance and operating expense for the first eight months of 1918 over the corresponding months in 1917.

It appears that a maintenance and operating allowance of \$29,000.00 per year is reasonable and it is found as a fact that it is a reasonable amount to be included in annual charges to meet this expense.

The applicant presented evidence showing that on a 4 per cent sinking fund basis, the annuity for depreciation is \$8,320.00. The computations have been checked by the commission's engineers and appear reasonable.

The necessary annual charges to support the property are as follows:

Six per cent interest on \$859,271.00	\$51,556 00
Maintenance and operating expense	29,000 00
Depreciation annuity	8,320 00
Total	\$88,876 00

The applicant's annual report for 1917 shows a gross revenue from operation amounting to \$77,383.00, which includes \$1,352.00 billed against the Pacific Improvement Company for maintenance of property. Deducting this last item gives \$76,031.00 as the gross revenue derived from operation of the applicant's own property.

Based upon the foregoing annual charges and gross revenue, the deficit from operation in 1917 was \$12,845.00. The applicant is therefore entitled to an increase in rates.

The rates fixed in the accompanying order are just and reasonable rates and will provide sufficient revenue to yield the necessary increase.

The matter of the proposed contract with the Pacific Improvement Company for the construction of a dam and reservoir on the Carmel River has been carefully considered. As it appears from the testimony that for many years to come the full capacity of the proposed improvements will not be required, I deem it unfair at this time to burden the applicant's consumers with the proposed annual charges. I suggest that arrangements be made with the Pacific Improvement Company whereby applicant pays for only such water as is required, or that the

construction of a smaller dam, which could later be raised to the full height, will fill all requirements for some time to come.

I submit the following form of order:

ORDER.

The Monterey County Water Works having made application for permission to increase rates charged by said Monterey County Water Works to its consumers, a public hearing having been held thereon, and the commission being fully apprised in the premises,

The Railroad Commission hereby finds as a fact that the rates now charged by Monterey County Water Works are unjust and unreasonable in so far as they differ from the rates herein established and that the rates herein established are just and reasonable rates to be charged by Monterey County Water Works.

Basing its order upon the foregoing finding of fact and upon the findings of fact which are contained in the opinion which precedes this order,

It is hereby ordered that the Monterey County Water Works be and the same is hereby authorized to file with the Railroad Commission within twenty days from the date of this order, and thereafter to charge the following rates for water served to the inhabitants of Monterey, Pacific Grove, and vicinity:

Rate Schedule.

General use, to apply to all users on separate premises, in whatever ownership.

Monthly minimum payments:

$\frac{1}{2}$ " and $\frac{3}{4}$ " services	\$1 10
1 " services	1 50
1 $\frac{1}{2}$ " services	2 25
2 " services	3 00
3 " services and larger	4 00

Monthly meter rates:

500 cubic feet or less	1 10
Next 700 cubic feet, per 100 cubic feet	0 30
Over 1,000 cubic feet, per 100 cubic feet	0 25

Private fire service:

2" and smaller	\$2 00 per month
3"	2 50 per month
4"	3 00 per month

Public use:

Fire service—per month per hydrant	\$3 00
For sprinkling streets and roads—per 100 cubic feet	0 25
Other uses at meter rates.	

Presidio at Monterey:

Rates as per contract with the United States government.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-first day of December, 1918.

DECISION No. 5999.

IN THE MATTER OF THE APPLICATION OF FRESNO INTERURBAN RAILWAY COMPANY, A CORPORATION, FOR AUTHORITY TO DISCONTINUE CERTAIN SERVICE IN THE CITY OF FRESNO.

Application No. 3956.

Decided December 21, 1918.

A. E. Bolton, for Applicant.
Harris & Hayhurst, and N. L. South, for Protestants.
A. W. Carlson, for city of Fresno.

GORDON, *Commissioner.*

OPINION.

Fresno Interurban Railway Company, a corporation, has applied for an order authorizing the discontinuance of street car service in the city of Fresno, alleging that the operation of such service is not profitable and that the public convenience and necessity will not be interfered with by reason of the discontinuance of such service.

Public hearings were held at Fresno on July 25 and August 12, 1918, the matter was submitted on briefs to be filed by the interested counsel and is now ready for decision.

The Fresno Interurban Railway extends from the city of Fresno in a generally easterly direction to a point in Fresno County known as Sanger Road, the line being 17 miles in length. In connection with the operation of freight service over the line a city street car service has been given in the city of Fresno over the following route:

"Commencing at or near the intersection of the center line of Belmont avenue with the center line of Fresno avenue; thence westerly along or near the center line of Belmont avenue to and within Valeria street; thence southerly along or near the center line of Valeria street to and within Merced street; thence southwesterly along or near the center line of Merced street to and within 'J' street; thence southeasterly along 'J' street, using the tracks of Fresno Traction Company, thereon, under the terms and limitations of the statutes of the state of California, governing such usage, to and within Inyo street; thence northeasterly along or near the center line of Inyo street to and within 'L' street; thence southeasterly along or near the center line of 'L' street to the southeasterly end thereof, and over private property, to and within Hamilton avenue; thence easterly along or near the center line of Hamilton avenue to the corporate limits of the city of Fresno.

Commencing at or near the intersection of the south line of Belmont avenue with the center line of Fresno avenue, and running thence northerly along or near the center line of said Fresno avenue, one-quarter mile, a little more or less, to the northerly corporate limits of said city."

Applicant has operated a street car service over the above-described route, using in such service two second-hand street cars. In July, 1918, the company discontinued the street car service without having secured authority from this commission and for the reason that the company was notified that no more power would be furnished by the San Joaquin Light and Power Company account unpaid bills for power

previously furnished. The company was required by the commission to establish automobile service over the route hereinbefore mentioned and such service was instituted on July 26, 1918, and was continued until August 11, 1918, pending the hearing on this application.

The affairs of this company have been thoroughly reviewed in Applications Nos. 1084, 1416 and 1649 and reference is hereby made to Decisions Nos. 1563 (Opinions and Orders, C. R. C., Vol. 4, p. 1195); 1957 (Opinion and Orders, C. R. C., Vol 5, p. 749); 2411 (Opinions and Orders, C. R. C., Vol. 6, p. 1016), and further reference to such matter is unnecessary in connection with this proceeding.

The company was incorporated April 4, 1914, for the purpose of constructing an electric railway from Fresno. A contract was entered into with Mahoney Brothers, who in payment for the securing of rights of way, furnishing labor and material for construction, including the necessary equipment for operation of the line, were to accept the stock and bonds of the company. To December 31, 1917, there has been issued and is outstanding \$35,000.00 par value of common stock and \$149,300.00 par value of first mortgage bonds, all of which were issued under several orders of this commission.

The company commenced its operations under date August 1, 1916. Prior to such date, however, the contractors attempted to haul freight and passengers during the construction period. The result was a substantial deficit amounting to \$10,396.27, which amount the commission allowed as a capital charge. Since the commencing date of operation, August 1, 1916, to December 31, 1917, a total of seventeen months, the record of operations shows a deficit of \$26,935.16. The balance sheet of the company as of December 31, 1917, filed with this commission in accordance with the requirements of the Public Utilities Act, shows current liabilities of \$105,913.53 with current assets as of such date of but \$7,953.96.

A statement of earnings and expenses from all sources for the period from August 1, 1916, to June 30, 1918, inclusive, introduced by the applicant as an exhibit at the hearing on this proceeding shows the total receipts from all sources to be \$52,622.64 with operating expenses of \$66,107.75 or a deficit of \$13,485.11. Adding the fixed charges accumulated during the above period amounting to \$28,292.45, the total deficit amounts to \$41,777.56.

A record of the receipts and expenses of the street car operation in the city of Fresno, the discontinuance of which is sought by applicant herein, indicates that for the period from January 1 to June 30, 1918, the receipts were \$3,762.25 and the expenses (excluding all expenses except labor, material, power, taxes and insurance, and eliminating any allowance for superintendence, office expense, depreciation or interest on investment) amounted to \$5,159.13, a deficit of \$1,396.88. If

the proportion of expenses including the omitted items referred to above were charged, and same have been incurred and are properly chargeable against the street car operation, a further charge of \$2,653.71 would be made, resulting in a net deficit of \$4,050.59. In view of these conditions the applicant has petitioned this commission for an order permitting the discontinuance of the street car service in the city of Fresno.

This application is opposed by the residents of the portion of Fresno heretofore served by the street car service for which abandonment is sought, such residents claiming that the line has been improperly operated and that the service heretofore rendered has not been of a dependable character or conducted in a manner which would induce patronage. Reference was made to contracts which were signed at the time the line was being promoted in which property owners agreed to pay certain bonuses provided the line was completed to a certain terminal. The evidence indicates that the line was not extended to the terminal originally proposed and that for such reason the bonuses were not collectible under the agreements referred to, and it is understood that much of the right of way which was donated to the company under similar conditions is not owned in fee by the company, but that the title remains in the original owners. Petitions were filed in protest signed by 177 persons representing 681 patrons alleging that the service of the Fresno Traction Company could not adequately supply the service required by the residents of the district served by the portion of the applicant's line herein sought to be abandoned. In this connection the results of the automobile service ordered installed by the commission pending the hearing on this application are as follows:

July 26 to August 11, 1918, inclusive.

Receipts -----	\$16 35	average \$0 96 3/17 per day
Rent of automobiles -----	318 00	average \$18 706 per day
Deficit -----	301 65	average \$17 444 per day

It is apparent that the patronage which is necessary to meet the expenses of the operation of the line sought to be abandoned was not offered during the period that the substitution of automobile service was ordered by this commission.

The evidence indicates that the equipment with which the street car service was operated is in a dilapidated condition, that such equipment had served the greater part of its useful life before being acquired by the applicant and that to rehabilitate the cars would require an expense of approximately \$2,000.00 to make same safe and in proper operative condition. The evidence further shows that one-man operation of cars has been conducted for some time in an endeavor to reduce the operating costs to the minimum and no constructive plan was presented which

would indicate that the operation of the street car service can be conducted and produce revenue equal to the bare cost of operation, excluding entirely the items of superintendence, depreciation or interest on the capital invested.

After very careful consideration of the evidence presented in this proceeding, of the briefs filed by counsel, and of the fact that the applicant herein has been unable to operate either its street car service or its entire property on a basis that would produce revenue equalling the cost of operation, I am of the opinion and find as a fact that the traffic offering to the street car line of the applicant herein in the city of Fresno does not justify a continuance of the operation of such line; that the operation of the entire line does not produce revenue sufficient to meet operating expenses, and fixed charges, excluding entirely the items of depreciation and interest on investment; and I, therefore, recommend that the application be granted.

Herewith the following form of order:

ORDER.

Fresno Interurban Railway Company, a corporation, having petitioned the Railroad Commission for an order authorizing the discontinuance of service on the street car lines operated by the applicant in the city of Fresno, public hearings having been held, the matter having been duly submitted and the commission being fully advised and basing its order on the findings of fact as appearing in the opinion which precedes this order,

It is hereby ordered that this application be and the same hereby is granted.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-first day of December, 1918.

DECISION No. 6000.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY FOR AUTHORITY TO INCREASE ITS ELECTRIC RATES.

Application No. 3955.

Decided December 21, 1918.

Increase in rates granted to meet emergency situation caused by abnormal conditions, not to be considered as permanent rate base:

Elimination of deviation rates will wipe out serious form of discrimination, and should be eradicated before great bulk of consumers are required to pay increased rates.

Elimination of free lamp renewals is urged.

Harry J. Bauer, for Applicant.

H. G. Ames, for city of Anaheim, Anaheim Board of Trade and temporarily for

W. R. Garrett, city attorney of Orange.

G. L. Hoodenpyl, for city of Long Beach.

William Guthrie, for city of San Bernardino.

George B. Bush, for city of Riverside.

Rush M. Blodget, for city of Venice.

Leander O. Hatch, for city of Eagle Rock.

G. H. Scott, for city of Santa Ana.

William E. Evans, for city of Glendale.

C. H. McFarland, for Riverside Portland Cement Company; Ennis & Williamson and Jurupa Water Company.

Clyde Woodworth, for cities of Inglewood, El Segundo and Beverly Hills.

R. B. Bedwell, for city of Glendora.

Arthur H. Blanchard, for city of Santa Paula.

J. A. West, for Board of Supervisors of Orange County and Lighting Districts of Orange County, including El Modena, Tustin, Buena Park, Garden Grove, Placentia, Laguna Beach, etc.

C. R. Allen, for city of Fullerton.

F. A. Leonard, for city of Redlands.

John S. Beman, for city of Watts.

Chas. W. Hoag, for city of Culver City.

Thos. A. Berkebile, for city of Monterey Park.

Victor McLucas, for city of Santa Monica.

J. E. Horn, for National Brotherhood of Electrical Workers.

Frank Karr, for Pacific Electric Railway.

John P. Dunn, for city of Monrovia.

Walter F. Dunn, for cities of Arcadia and El Monte.

W. L. Dunn, for city of Oxnard.

Wm. Hazlett, for city of South Pasadena.

James E. Barker, for Ennis & Williamson, cities of Riverside, Glendale, San Bernardino, Whittier, Santa Monica, Anaheim, Fullerton, South Pasadena, Monrovia and others.

EDGERTON, *Commissioner*.

OPINION.

Southern California Edison Company asks for authority to increase its rates for electricity.

Applicant urges that the present rates do not produce revenue sufficient to meet increased costs of operation due to war conditions and leave for interest charges, dividends and surplus a reasonable return on property or investment.

This application is presented by the company as an emergency measure and we are urged to consider an increase of rates without going extensively into matters of valuation and other factors as is usual in a normal rate-fixing proceeding. Applicant asks that rates be so fixed as to put the company in a sound financial condition, thus enabling it to finance further development of electric power and to meet interest requirements on its outstanding obligations and dividends.

It suggests for consideration two methods of determining what shall be the net income of the company. The first method is to take the dividends paid by Southern California Edison Company for years of

1915 and 1916 and by the consolidated companies for 1917, when consolidated into the present applicant, for a total period of three years last past. The average dividends are to be compared with the average net income for dividends and surplus for the same period, thus establishing a ratio between dividends paid and income, the suggestion being that rates be now fixed which will establish and maintain this same ratio.

This results in an average ratio of 2.08, and to establish and maintain this ratio would now require that we increase the revenue by \$1,565,000.00 per annum.

The other method is to determine an average ratio for the same period between net income available for interest, depreciation and surplus, and the interest requirements. This results in a ratio of 2.44, and if applied now would result in an increased revenue of \$1,961,000.00.

I think both these methods must be discarded for the principal reason that they result in a very much greater percentage of earning as compared with value of property or investment than this applicant has enjoyed in normal times when the company was considered satisfactorily prosperous.

I am satisfied from the showing made that applicant, because of the increase in the price of materials and labor, is entitled to an increase of revenue and that, therefore, rates to consumers must be increased, and I am also convinced that we will be acting with entire fairness to applicant as well as to consumers if we fix rates so as to put applicant approximately in as good condition as it was before these abnormal increases in cost.

If the rates set out in the attached order result, as expected, in restoring applicant to its prewar financial condition it seems reasonable to anticipate that applicant will not be handicapped because of insufficient revenue in financing appropriate extensions and betterments. This will be true unless, as a result of the extraordinary war conditions, a violent change in the relations of available money to investment in public utility property has occurred—and of this we have no evidence. It should be borne in mind that we are not here attempting to set up a permanent rate base or to fix permanent rates. We do not wish to be understood as saying that applicant's financial condition will be permanently judged by its prewar condition. What we are doing here is to meet an emergency situation caused by abnormal condition with an increase of rates which will promptly meet present requirements.

For comparative purposes we may use the figures used by applicant as an estimate of the cost of its entire properties. The following table shows the relative percentage of net earnings for the past three years:

COMBINED STATEMENT.

Southern California Edison Company, Pacific Light and Power Corporation, Ventura County Power Company, San Joaquin and Eastern Railroad.

	1915	1916	1917	1915-16-17 Average
1. Approximate average capital, all properties	\$54,631,000	\$55,958,000	\$59,082,000	\$56,557,000
2. Net earnings for depreciation, interest and profit	4,817,985	5,071,000	5,472,894	5,120,626
3. Depreciation annuity	856,000	878,000	928,000	887,333
4. Net return	3,961,985	4,193,000	4,544,894	4,233,293
Per cent of capital	7.25	7.50	7.69	7.49

The rates set out in the order herein are expected to produce approximately \$1,000,000.00 added gross revenue per annum, and this sum (allowing \$1,000,000.00 per annum for depreciation) will result in a net earning, based upon the 1918 operation, of not to exceed 8 per cent compared with the cost figures used in the foregoing table. While this percentage is slightly higher than is shown to have been earned in the last three preceding years, it should be borne in mind that a considerable period will have elapsed between the time when the abnormal increase of costs took effect and the relief obtained through these new rates, and, furthermore, that there is of course some uncertainty as to the exact effect of these increased rates in producing revenue. The attempt has been made to fairly approximate the financial results obtained in normal times, with some slight leeway for contingencies.

These rates have been fixed, based upon the experience of the last year, and it may be that ample rainfall during the coming winter, resulting in decreased cost of oil, will decrease operating expenses and increase net return. The year 1918 has practically passed and the utility has suffered a marked reduction in net return below prewar conditions which can not be recouped during the year. Some consideration should be given to this fact in determining what increase should be allowed in the future. It is not fair to speculate as to the future conditions under the present conditions and the demands on the company.

The charges paid by consumers of applicant for electric energy are based upon three general classes of rates:

1. Schedule rates on file with the commission.
2. Special rates fixed by contracts or other conditions of service to which filed schedules also apply. These in general are known as "deviations."
3. Rates fixed by contracts for service, the character of which places them beyond the scope of regular filed schedules.

The majority of the electric consumers of this company are served under schedule rate on file with the commission by Southern California Edison Company, Pacific Light and Power Corporation and Ventura County Power Company. These schedules have not been consolidated since the consolidation of the companies and there exists a large number of duplications in filing, also certain discriminatory features in rates between districts where competition existed, and certain inconsistencies in the schedules of the former companies, which, it appears from analysis, should be removed at this time. The schedules of the companies should be refiled at this time by Southern California Edison Company, eliminating the duplications and inconsistencies in rates; also adjusting the rates in general to a more uniform basis without materially affecting the general income from the rates.

I have had compiled a careful analysis of the schedules of the companies by the commission's gas and electric division in view to removing such inequalities and eliminating unnecessary rates and the order herein will designate the changes to be made and the schedules to be refiled by the company. I recommend that the company at this time make a complete new filing of its rate schedules, rules and regulations, in accordance with this decision and in such form as will meet the approval of this commission.

The general changes made in the schedules on file with the commission by this order will be the reducing of the basic rate for lighting service in Ventura County from 10 cents per kilowatt hour for the first 20 kilowatt hours to 8 cents per kilowatt hour; the elimination of the former Pacific Light and Power Corporation's schedules for lighting, which were 8 cents for residence and 6 cents for commercial lighting in certain portions of Los Angeles, Orange, Riverside and San Bernardino counties, and the replacement of the schedules by the standard Southern California Edison Schedule, which starts at 7 cents per kilowatt hour, and the placing upon the standard Edison lighting schedule of all the districts in Los Angeles, San Bernardino, Riverside and Orange counties with the exception of the city of Los Angeles as it existed prior to May 1, 1915, the cities of Pasadena, South Pasadena, Altadena, Lamanda Park, San Rafael Heights and Linda Vista, the territory known as Belvedere east of the city of Los Angeles and that part of Los Angeles County known as Antelope Valley. These changes will result in a reduction in revenue of approximately \$20,000.00 per annum.

Certain of the power schedules have been eliminated as inconsistent with the standard schedules herein recommended. The result of the changes and eliminations in power schedules ordered will cause in some instances a slight increase in rates, but in general, will either slightly reduce or not materially affect consumers.

The minimum rate for domestic and commercial lighting service on applicant's system varies in different localities from 50 cents to \$1.00 per meter per month. It appears that in more than one-half of the territory served, outside of the city of Los Angeles and the city of Pasadena, the minimum is 50 cents per meter per month, a few localities charging a minimum of 75 cents and the remainder of the territory which in general is rural, \$1.00. From investigation of the commission it appears that, in general, a minimum charge of from 75 cents to \$1.00 is reasonable and that consumers paying a minimum of 50 cents for lighting service are being served at a loss. The minimum bill for service at less than 75 cents per month should be increased to 75 cents per month.

The second class of rates herein referred to, which are known as deviations, include rates different than the schedules herein fixed but are applicable to service which normally would be under these schedules.

An analysis of the figures submitted show that if consumers enjoying deviation rates were placed upon the regular rate schedules that applied to their class of service as they have existed, the revenue of the company would be increased approximately \$48,000.00. The elimination of these deviations will wipe out a serious form of discrimination which unquestionably should be eradicated before the great bulk of consumers are required to pay increased rates. It is my opinion, therefore, that before any surcharges or other increases are placed upon rate schedules, all consumers enjoying deviation rates should be removed from their special status and placed forthwith in the same category with other consumers who are being charged in accordance with filed rate schedules. This applies to all consumers enjoying deviation rates except as herein-after specified.

Special consideration must be given to certain deviations existing in Ventura County on the former Ventura County Power Company's system. In an investigation of the rates of that company in connection with Case No. 569, it was found that prior to 1915 Ventura County Power Company did not have a minimum charge based upon the size of power installations. As a result a large number of consumers were operating motors at an annual return per horsepower far below that which is normally required under the minimum bill of \$1.00 per horsepower per month. Had these consumers been required to pay the full minimum charge the result would have been a loss in gross revenue to the company, due to the discontinuance of service by a considerable number, and a material loss to the consumers themselves on account of the abandonment of equipment installed under the previous rate schedules. All consumers taken on since the commission's decision in that case, rendered on December 24, 1915, have been on schedule rates. There remains, however, some 216 services, totalling 1,593 horsepower,

still operating under the rates without the regular minimum charge. Of this total 167, representing 430 horsepower, are of 5 horsepower or less in size.

It is apparent from analysis at this time that it will be impractical to require all of these consumers to pay the regular minimum charge and such an order would result in loss to the company as well as, in a large number of instances, a material loss to the consumers, for which practically no benefit would be obtained. I believe, however, that these consumers should be required to bear some additional portion of the burden of the increased cost now existing. I recommend for these special deviations that all motor installations of 5 horsepower or less be placed upon the regular schedules including the minimum charge, and that for installations in excess of 5 horsepower the minimum charge be \$5.00 per month.

The result of the removal of deviations as hereinbefore recommended will increase the company's revenue approximately \$50,000.00.

I realize that in removing deviations some users of electricity will have their burdens materially increased. The commission can not at this time anticipate the result of this action upon individual consumers, but must consider them as class who are in general enjoying a privilege which discriminates as between them and other consumers. The commission may, if it deems advisable, order the filing of new rate schedules for certain classes of service if the carrying out of this order demonstrates the need of such action.

The small number of consumers which fall in Class No. 3 pay rates outside of the regular filed schedules. This class includes railway power service to the Los Angeles Railway Company and Pacific Electric Railway Company, municipal service for redistribution on municipal distribution systems, other public utilities and service to municipalities for street lighting and certain other municipal purposes. These special rates under contract, where schedules do not apply, should be continued in so far as the base rate is concerned, but any surcharge hereinafter authorized should be applicable to them as designated unless otherwise specified.

The result of the changes and adjustments in rates herein recommended will be approximately as follows, it being impossible to estimate exactly the effect:

Removal of deviations	\$50,000 00
Increase in minimum charge.....	30,000 00
Change in rates by reduction of first block in Ventura County and removal of 8-cent rate in other districts, reduction.....	20,000 00
Net increase	\$60,000 00

It is apparent from the preceding that in addition to the revenue obtained from the removal of deviations and the net effect of readjustment of rates, it still will be necessary to obtain from the utility's business approximately \$900,000.00 to cover the increased costs and place the utility in the same financial condition as the combined properties were during the average years. It becomes necessary, therefore, to increase the rates by a surcharge to be applied to the various bills.

The service of the company is naturally divided into five separate classes, which are listed as follows:

- (1) Residence and commercial lighting.
- (2) Municipal and private street lighting.
- (3) Industrial and commercial power service, including municipal power.
- (4) Sales to other electric corporations, including municipal distribution systems.
- (5) Railway power.

In general, the commission, in applying surcharges, has applied a uniform surcharge per kilowatt hour to the separate classes of business, varying, however, the amount of surcharge between the classes. This practice should be followed in this instance. In the case of the application of Pacific Gas and Electric Company, Application No. 3459, the commission added a surcharge varying from one mill per kilowatt hour for electric railways and other public utilities to one cent per kilowatt hour for residence and commercial lighting, applying the surcharge to all classes of service. In the case of Southern California Edison Company, however, certain of the service under contracts need special consideration.

The Southern California Edison Company operates its distribution system inside the city of Los Angeles under an operating agreement with the city whereby the Edison company is in the position of an agent of the city. This operating agreement was passed upon by the commission in connection with Application No. 2884. It is provided in the operating agreement that a minimum of 25,000 horsepower at 36 per cent load factor shall be supplied to the system by the Southern California Edison Company and the remainder of the power supplied from the city's own plant. The city receives from the Edison company under the operating agreement all revenue in excess of certain specified amounts for interest and depreciation upon the property and operating expenses chargeable to the cost of purchased power and the distribution and sale of energy in the city. It is apparent from this operating agreement that no benefit would be received to the Edison company from any increase of the rates charged to the consumers within the city as any such benefit would divert directly to the city. Any

increased revenue to be obtained by the company therefore must be obtained by increase of rates outside of the city of Los Angeles.

The rate charged the city of Los Angeles for electric power delivered at an annual load factor of 36 per cent is 1.22 cents per kilowatt hour. This rate is at least .22 cents per kilowatt hour in excess of the rate charged other public utilities for similar service, due consideration being given to load factor, etc.

Mr. R. H. Ballard, assistant general manager of applicant, testified that the higher rate covered a certain amount of severance damages which he stated was equivalent to .22 cents per kilowatt hour. Although not passing upon the correctness of this, it appears in the testimony in Application No. 2884 that the rate was based upon an estimate of the cost of service and I find no evidence to the effect that at that time persons computing the rate figured that it was to be .22 cents more than the rate where severance damage was not considered. Without definitely passing upon this point, it appears to me that no additional surcharge should be added to this rate at this time.

The city of Pasadena and the Southern California Edison Company have entered into an agreement, subject to approval of the commission, whereby the city will take over the distribution system of the Southern California Edison Company within the city and purchase power from the Edison company at a rate of approximately 8.7 mills per kilowatt hour. According to the testimony in Application No. 3666, in which approval of this agreement was requested by the city and the company, it appeared that the Edison company was earning approximately 4 per cent upon its distribution investment under the present operating conditions but that under the proposed agreement, which has been approved by the commission in Decision No. 6012, the city of Pasadena will pay the Edison company full depreciation and 8 per cent return. It appears, therefore, that if the operating agreement is consummated, an 8 per cent return will be received on this part of the property, and as the control and operation of the property will be vested in the city no surcharge should be applicable. However, I believe the surcharge which is hereafter set forth for wholesale power purchased from the Edison company by other utilities should apply to the rate for power purchased from the Edison company by the city. In case the agreement is not consummated the surcharge herein authorized should be applied to the service of applicant's consumers inside the city of Pasadena.

Southern California Edison Company is supplying Mount Whitney Power and Electric Company approximately 41,000,000 kilowatt hours per annum at a rate of 8.8 mills per kilowatt hour. This rate is based upon the cost of service under the present prices of oil and takes into

account in general the operating expenses now existing. No surcharge should be applied to this service.

Electric energy is interchanged between Southern California Edison Company and San Joaquin Light and Power Corporation and also Southern Sierras Power Company. This is in the form of interchange and no surcharge should be applied, rates being based upon present oil costs.

The other electric corporations served by Southern California Edison Company, including San Diego Consolidated Gas and Electric Company, Santa Barbara Gas and Electric Company, Fontana Power Company, Ontario Power Company and the various municipalities served, exclusive of the city of Los Angeles, should be required to pay the surcharge hereinafter authorized.

As regards other classes of service, I do not believe there should be any exemptions from the application of the surcharge herein authorized.

Applicant has requested that the supplying of free lamp renewals, as set forth in its schedules in certain territory, should be eliminated. It appears that lamps supplied to consumers free, cost the company approximately \$22,000.00 per year; that these lamps are of the metalized carbon filament type, known as "Gem" lamps, and are less efficient than the Mazda type of lamps. It also appears from the testimony that the actual cost of lighting service where this type of lamp is supplied free is greater than where the consumer purchases the higher efficiency lamps, due to the increased energy consumption per unit of light. I therefore recommend that this free service be eliminated. The reduction in operating expenses due to the discontinuance of this practice will be largely offset by the reduced revenue which will result from the use of the higher efficiency lamps.

A discrepancy exists between the rate per kilowatt hour which Pacific Electric Railway contends should be paid for power purchased from the applicant and the rate applicant has set forth in its statements. This difference is due apparently to a difference in interpretation of the rates under the contracts for certain blocks of power. It also appears that the rate paid by Pacific Electric Railway Company is slightly less than that paid by Los Angeles Railway Company, the average rate of the former for the western delivery being 6.18 mills per kilowatt hour and the latter 6.5 mills per kilowatt hour. From the evidence submitted which is comparatively meager there does not appear justification for that difference in rate. However, before deciding this matter further investigation should be made.

I find that the following surcharges are just and reasonable surcharges to apply to applicant's electric rates:

For energy sold for lighting service, including domestic, commercial and municipal metered service other than street lighting, 1 cent per kilowatt hour.

For energy sold for heating and cooking, 5 mills per kilowatt hour.

For energy sold for commercial and industrial power, 2 mills per kilowatt hour.

For energy sold for municipal street lighting, 10 per cent of monthly bills for service.

For energy sold for electric railway service, 1 mill per kilowatt hour.

For energy sold to other electric corporations other than Southern Sierras Power Company, San Joaquin Light and Power Company, Mount Whitney Power and Electric Company, and city of Los Angeles, 1.2 mills per kilowatt hour.

The revenue to be obtained by the application of these surcharges, if continued for 12 months, based upon 1918 estimates, will be as set forth in the following table:

Increase in Revenue Due to Surcharge—1918.

Classification of service	Kilowatt hours	Revenue	Surcharge per kilowatt hour	Increase in revenue due to surcharges
1. Domestic and commercial lighting and cooking	24,764,000	\$1,590,000	1.5 cents	\$240,000
2. Municipal lighting	5,986,000	299,000	10% bill	29,900
3. Commercial and industrial power	179,500,000	2,489,000	2 mills	359,000
4. Other electric corporations:				
(a) City of Los Angeles	58,000,000	714,000		
(b) Mount Whitney Power and Electric Co.	41,361,000	361,000		
(c) San Diego Consolidated Gas and Electric Co.	19,780,000	120,000	1.2 mills	23,736
(d) Santa Barbara Gas and Electric Co.	4,920,000	47,000	1.2 mills	5,904
(e) Other electric corporations, including municipalities	15,730,000	129,000	1.2 mills	18,876
	139,791,000	\$1,371,000		\$48,516
5. Railway power	275,000,000	1,728,000	1.0 mills	275,000
Grand total	625,041,000	\$7,477,000		\$952,416

ORDER.

Southern California Edison Company having applied to the Railroad Commission for authority to increase its electric rates, hearings having been held, the matter having been submitted and now ready for decision,

The Railroad Commission hereby finds as a fact that the payment of rates other than filed schedules by certain consumers of Southern California Edison Company, where such filed schedules apply to their particular class of service, constitutes a discrimination against other consumers purchasing energy under filed schedule rates; that certain

of the existing rates for electric service should be changed or eliminated as herein designated, and that the basic rates herein designated are insufficient to provide Southern California Edison Company with an adequate return under the present abnormal conditions, and that charges for service should be increased by the surcharges hereinafter set forth.

Basing its order on the foregoing findings of fact and on the other findings of fact contained in the opinion which precedes this order,

It is hereby ordered that on and after the second day of January, 1919, Southern California Edison Company shall charge and collect for electric energy sold, based on all regular meter readings taken on and after said date, only the schedule of rates hereinafter designated to be filed with the Railroad Commission, or which may hereafter be filed with the approval of the Railroad Commission, except for energy sold under special contracts, to which no filed schedule of rates will apply, in which case existing rates shall be charged, and provided that nothing in this order shall be construed to prevent Southern California Edison Company from granting free or reduced rate service, as set forth in paragraph No. 5 of General Order No. 45 of this commission.

It is further ordered that Southern California Edison Company establish and file with the Railroad Commission on or before January 2, 1919, the rates hereinafter designated for the respective classes of service applicable within the territory as specified, said rates to become effective for all bills rendered for meter readings taken on and after January 2, 1919.

**Rates to Be Filed and Made Effective—Domestic and Commercial
Lighting Service.**

1. The following schedule to be applicable to all territory within the counties of Los Angeles, San Bernardino, Riverside and Orange, except within the cities and towns of Pasadena, South Pasadena, Altadena, Lamanda Park, San Rafael Heights and Linda Vista, the territory known as Belvedere, and the territory included in Antelope Valley and District "A" of the city of Los Angeles, which latter district includes the entire territory within the corporate limits of the city of Los Angeles as of May 1, 1915.

Consumption	Rate
First 100 kilowatt hours per month-----	7 cents per kilowatt hour
Next 200 kilowatt hours per month-----	6½ cents per kilowatt hour
Next 200 kilowatt hours per month-----	6 cents per kilowatt hour
Next 500 kilowatt hours per month-----	5½ cents per kilowatt hour
Next 1,000 kilowatt hours per month-----	5 cents per kilowatt hour
Next 1,000 kilowatt hours per month-----	4 cents per kilowatt hour
Next 2,000 kilowatt hours per month-----	3 cents per kilowatt hour
All over 5,000 kilowatt hours per month-----	2½ cents per kilowatt hour
Minimum charge:	

- a. 75 cents per meter per month within the cities of Pomona, Santa Ana, Redlands, Venice, Santa Monica, Long Beach, San Bernardino, Alhambra, Vernon, Huntington Park and Eagle Rock.
- b. \$1.00 per meter per month for all other territory.

2. The following schedule to be applicable to Ventura and Fresno counties and Antelope Valley in Los Angeles and Kern counties.

Consumption.	Rate.
First 100 kilowatt hours per month.....	8 cents per kilowatt hour
Next 100 kilowatt hours per month.....	7 cents per kilowatt hour
Next 300 kilowatt hours per month.....	6 cents per kilowatt hour
Next 500 kilowatt hours per month.....	5½ cents per kilowatt hour
Next 1,000 kilowatt hours per month.....	5 cents per kilowatt hour
Next 1,000 kilowatt hours per month.....	4 cents per kilowatt hour
Next 2,000 kilowatt hours per month.....	3 cents per kilowatt hour
All over 5,000 kilowatt hours per month.....	2½ cents per kilowatt hour
Minimum charge: \$1.00 per meter per month.	

3. Schedule "G" of Southern California Edison Company to be refiled with a minimum of 75 cents per meter per month, to be effective for the cities and towns of South Pasadena, Altadena, Lamanda Park, San Rafael Heights and Linda Vista.
4. Schedule "MM" of Southern California Edison Company to be refiled for outside lighting service in the city of Long Beach.
5. Schedule "Q" of Southern California Edison Company to be refiled, applicable to oil field lighting service.
6. Schedule "I-R" on file by Pacific Light and Power Corporation to be refiled, applicable to sign and display lighting in Ventura County.
7. Combination lighting and heating service schedules designated as Southern California Edison Company's schedules "CC," "JJ" and "HH," to be replaced by a schedule or schedules setting forth the same conditions of rates and made applicable to the counties of Los Angeles, San Bernardino, Riverside, Orange and Ventura, with the exception of the city of Pasadena and District "A" of the city of Los Angeles.
8. The following schedule shall be filed applicable to the district known as Belvedere, adjoining the city of Los Angeles on the east:
- | | |
|---|----------------------|
| First 100 kilowatt hours consumed per month..... | 5.5 cents per k.w.h. |
| Next 150 kilowatt hours consumed per month..... | 5.3 cents per k.w.h. |
| Next 200 kilowatt hours consumed per month..... | 4.8 cents per k.w.h. |
| Next 500 kilowatt hours consumed per month..... | 4.1 cents per k.w.h. |
| Next 1,000 kilowatt hours consumed per month..... | 3.2 cents per k.w.h. |
| Next 1,000 kilowatt hours consumed per month..... | 2.4 cents per k.w.h. |
| Over 3,000 kilowatt hours consumed per month..... | 2.1 cents per k.w.h. |
| Minimum charge: 75 cents per meter per month. | |
9. Lighting rates on file by the Southern California Edison Company and Pacific Light and Power Corporation for service within the corporate limits of the cities of Los Angeles and Pasadena, except as otherwise ordered, to be refiled under the Edison company's schedules, eliminating duplications of filing.

Power Rates.

1. The following schedule to be applicable for pumping and general agricultural service in all territory within the counties of Los Angeles, San Bernardino, Riverside, Orange and Ventura, except the city of Pasadena and District "A" of the city of Los Angeles:

- (a) General rate:

Capacity of installation.	Rate.
Less than 5 horsepower.....	3½ cents per kilowatt hour
5 horsepower but less than 15 horsepower....	3 cents per kilowatt hour
15 horsepower and over.....	2½ cents per kilowatt hour
Minimum charge:	

Capacity of installation.

Less than 5 horsepower: \$1.00 per horsepower per month but not less than \$2.00 per month.

Five horsepower and over: \$6.00 per horsepower for an irrigation season of six consecutive months, payable at the rate of \$1.00 per horsepower per month during the six consecutive months.

(b) Optional rate:

- (1) For installations of 5 horsepower and over and for a guaranteed minimum of \$12.00 per horsepower per year, payable at the rate of \$2.00 per month for an irrigation season of six consecutive months, the energy rate to be 2 cents per kilowatt hour.
- (2) For a guaranteed minimum of \$1.00 per horsepower of connected load per month, but not less than \$100.00 per month, for an irrigation season of six consecutive months, the energy rate to be 2 cents per kilowatt hour.
- (3) For a guaranteed minimum of \$1.00 per horsepower of connected load per month, but not less than \$200.00 per month, for an irrigation season of six consecutive months, the energy rate to be 1.75 cents per kilowatt hour.

Special minimum conditions:

- (1) Pumping plant contracts operated under General Rate and Optional Rate (2) and (3) where monthly minimum is specified, may be made with accumulative minimum, provided that the minimum shall be for amounts of 25 per cent in excess of the straight monthly minimum. Such accumulative minimum to be upon either a six months' (or yearly basis), payable in monthly installments.
 - (2) For the remaining six months of the year not included in the irrigation season to which minimum applies, no minimum to be charged, under General and Optional Rate as designated above, except when the accumulative minimum is on a yearly basis, but regular energy rate to apply.
2. Rates under Schedule "B" of Southern California Edison Company, designated as Class "B," to be refiled, applicable to all territory within the counties of Los Angeles, San Bernardino, Riverside, Orange and Ventura, except the city of Pasadena and District "A" of the city of Los Angeles.
 3. Schedule "KK" of Southern California Edison Company to be refiled as "Optional Pumping Schedule" for the Santa Ana, Whittier and Pomona districts of Southern California Edison Company.
 4. Schedule "L" of Southern California Edison Company to be refiled for installations of 50 horsepower and over, and applicable to all territory within Los Angeles, San Bernardino, Riverside, Orange and Ventura counties, except the city of Pasadena and District "A" of the city of Los Angeles.
 5. Schedule "OO" of Southern California Edison Company to be refiled as "Optional Pumping Service Schedule," applicable for installations of 25 horsepower and over in the Pomona District.
 6. Schedule "Z" of Southern California Edison Company to be refiled, applicable to all territory within Los Angeles, San Bernardino, Riverside and Orange counties, except the city of Pasadena, District "A" of the city of Los Angeles and Antelope Valley.
 7. A schedule similar to "Z" of Southern California Edison Company, with exception that the energy charge shall be 1.2 cents per kilowatt hour, to be filed for Ventura County and Antelope Valley.
 8. The following schedule to be applicable as an optional schedule for agricultural service for all territory within Los Angeles, San Bernardino, Riverside, Orange and Ventura counties, except in the city of Pasadena and District "A" of the city of Los Angeles.

Rate:

Capacity of connected load.	Rate.
Less than 100 horsepower.....	Base rate
100 horsepower to 199 horsepower.....	Base rate less 5 per cent
200 horsepower to 299 horsepower.....	Base rate less 10 per cent
300 horsepower to 399 horsepower.....	Base rate less 15 per cent
400 horsepower to 499 horsepower.....	Base rate less 20 per cent
500 horsepower and over.....	Base rate less 25 per cent

Base rate:

First 200 kilowatt hours per horsepower of connected load per month:
2 cents per kilowatt hour.

All over 200 kilowatt hours per horsepower of connected load per month:
1 cent per kilowatt hour.

Minimum charge: \$12.00 per horsepower of connected load per year, but not less than \$120.00 per year.

9. The rate under present schedules of Pacific Light and Power Corporation known as Schedule "P-M" to be refiled, applicable to all territory within Los Angeles, San Bernardino, Riverside, Orange, Ventura and Fresno counties, except the city of Pasadena and District "A" of the city of Los Angeles.
10. Schedule "P" of Southern California Edison Company to be refiled, applicable to all territory served within Los Angeles, San Bernardino, Riverside, Orange and Ventura counties, except the city of Pasadena and District "A" of the city of Los Angeles.
11. That portion of Schedule "B" of Southern California Edison Company known as Class "E" to be refiled, applicable to all territory within Los Angeles, San Bernardino, Riverside, Orange and Ventura counties, except the city of Pasadena and District "A" of the city of Los Angeles.
12. Schedule "T" of Southern California Edison Company to be refiled for ice and pre-cooling plant service, applicable to all territory within Los Angeles, San Bernardino, Orange, Ventura and Riverside counties, except in the city of Pasadena and District "A" of the city of Los Angeles.
13. Schedule "PF" of Southern California Edison Company to be refiled, applicable to the territory known as Culver City and Palms.
14. Schedule "GG" of Southern California Edison Company to be refiled, applicable to all territory of San Bernardino, Riverside, Orange and Los Angeles counties, except in the city of Pasadena and District "A" of the city of Los Angeles and Antelope Valley.
15. Pacific Light and Power Corporation schedules "P-D" and "P-S" to be combined, forming one schedule and to be refiled, applicable to Huntington Park, Laguna and Vernon.
16. Schedule "NN" of Southern California Edison Company to be refiled, applicable to service supplied to shipyards in Los Angeles County.
17. The following schedule for commercial heating and cooking service to hotels, cafes, restaurants, clubhouses, charitable and educational institutions and commercial heating installations such as incubators, brooders, etc., shall be filed, applicable to the counties of Los Angeles, San Bernardino, Riverside, Orange, Ventura and Fresno, except the city of Pasadena and District "A" of the city of Los Angeles:
 Rate: 3 cents per kilowatt hour.
 Minimum charge: \$10.00 per meter per month.
18. Schedule "C" of Southern California Edison Company to be refiled, applicable to all territory within the counties of Los Angeles and Orange for amusement enterprises and hotel service at beach resorts.
19. Schedule "W" of Southern California Edison Company to be refiled, applicable to all territory within San Bernardino and Riverside counties for cement plant service, for installation of 4,000 kilowatts or less.
20. Schedule "EE" of Southern California Edison Company to be refiled, applicable to all territory within Los Angeles County, except in the city of Pasadena, District "A" of the city of Los Angeles and the Antelope Valley.
21. Schedule "U" of Southern California Edison Company to be refiled as optional schedule for moving picture concerns for all territory within Los Angeles, San Bernardino, Riverside, Orange, Ventura and Fresno counties, except in the city of Pasadena and District "A" of Los Angeles.
22. The following special minimum charge to be filed, applicable to those certain consumers in Ventura County originally served by Ventura County Power Company at reduced minimum charge:
 Minimum charge: \$5.00 per month for installations of 5 horsepower or over.
23. The following schedule for service for developing and operating of oil wells, and also, in combination with other service, for lighting, cooking and other domestic purposes in connection with oil field development and operation, shall be filed applicable to Los Angeles, San Bernardino, Riverside, Orange and

Ventura counties, except the city of Pasadena and District "A" of the city of Los Angeles:

Rate:

Standby charge:

- (a) For motors of special two-rating type, a monthly demand charge equivalent to \$1.00 per horsepower of the average between the high and low rating of each motor connected. No standby charge to be less than \$15.00 per month.
- (b) For motors other than the two-rating type used for the operation of drilling rigs, pumping jacks, line pumps, machine shops, and all other miscellaneous power purposes, in connection with oil field operation, \$1.00 per horsepower per month.
- (c) For lighting, heating and cooking in connection with oil field operation, a demand charge equal to \$1.00 per horsepower per month of connected load. No standby charge to be less than \$3.00 per month.

Energy charge: 1 cent per kilowatt hour.

Special conditions:

Service to be delivered at a central point at approximately 2,200 volts, consumers to supply at their own expense sub-station equipment and distribution lines upon their own property.

24. Power schedules now on file by Southern California Edison Company and Pacific Light and Power Corporation for service within the corporate limits of the cities of Los Angeles and Pasadena, except as otherwise ordered, to be refiled under the Edison company schedules, eliminating duplication of filing.

It is hereby further ordered that on and after January 2, 1919, Southern California Edison Company shall discontinue the practice of supplying free lamp renewals.

It is hereby further ordered that Southern California Edison Company be and the same is hereby authorized to charge and collect for electric energy sold for meter service rendered, based upon all meter readings taken on and after January 2, 1919, and for flat rate municipal and private street lighting service on and after January 1, 1919, in addition to the schedule rates, special contract rates allowed and rates for service to which free or reduced rates may be granted, as specified in the preceding paragraphs of this order, the following surcharges, applicable to the class of service and amounts respectively set forth, said surcharge to be added to the bills as rendered, based upon the schedule herein designated, respectively:

For energy sold for lighting service, including domestic, commercial and municipal metered service, other than street lighting, 1 cent per kilowatt hour.

For energy sold for electric heating and cooking, 5 mills per kilowatt hour.

For energy sold for power service, 2 mills per kilowatt hour.

For energy sold for municipal street lighting, 10 per cent of monthly bills for service.

For energy sold to electric railways, 1.0 mills per kilowatt hour.

For energy sold to other electric corporations, other than Southern Sierras Power Company, Mount Whitney Power and Electric Company, San Joaquin Light and Power Corporation, and the city of Los Angeles, 1.2 mills per kilowatt hour.

Southern California Edison Company shall file with the Railroad Commission of the state of California on or before January 2, 1919, a statement showing the rates to which each of the surcharges hereinbefore authorized shall apply, which statement shall constitute an amendment to the rate schedules to be filed, and that Southern California Edison Company shall designate separately on the bills rendered

to its consumers for electric service the amount due under the authorized surcharge, and, further provided, that this order shall not prevent Southern California Edison Company from hereafter filing new rate schedules, subject to the approval of the Railroad Commission, if such new schedules shall not conflict with the purpose and intent of the provisions of this order.

It is hereby further ordered that Southern California Edison Company shall file with the Railroad Commission on or before January 2, 1919, and on the first day of each and every month thereafter, a statement showing the consumers receiving electric service at other than the filed schedules of rates, together with such other information as the Railroad Commission shall hereafter require.

It is hereby further ordered that Southern California Edison Company shall file with the Railroad Commission on or before the thirtieth day of each month, a statement showing its capital expenditures, revenues and expenses for the preceding month and such other information as the commission may hereafter require.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-first day of December, 1918.

DECISION No. 6002.

IN THE MATTER OF THE APPLICATION OF THE COUNTY OF SANTA BARBARA TO CONSTRUCT AND MAINTAIN HIGHWAY CROSSINGS OVER THE RAILROAD RIGHT OF WAY AND TRACK OF THE PACIFIC COAST RAILWAY COMPANY IN THE COUNTY OF SANTA BARBARA.

Application No. 4081.

Decided December 21, 1918.

E. W. Squires, district attorney, for Applicant.

J. M. Sims, superintendent, for Pacific Coast Railway Company.

GORDON, *Commissioner*.

OPINION.

This is an application, filed September 16, 1918, in which the county of Santa Barbara desires to abandon two road crossings on the Pacific Coast Railway Company, one of which is a grade crossing and the other an undergrade crossing under a railway trestle. In place of these two crossings the county desires to establish two grade crossings within short distances of the crossings abandoned. The grade crossing which is to take the place of the present grade crossing is marked "A"; the grade crossing to take the place of the undergrade crossing is marked "B," on the map accompanying the application.

A public hearing was held in Santa Barbara on December 12, 1918. It appears that the survey for the proposed changes was made about December, 1917. In May, 1918, the commission was notified by the Pacific Coast Railway Company that the county of Santa Barbara had torn down the right of way fences and started construction of a grade crossing in place of the undergrade crossing mentioned above, without first having obtained the permission of the commission, thus violating section 43 of the Public Utilities Act. At the same time, notice was served on the county of Santa Barbara by the railway company, notifying them that the permission of this commission was necessary before the crossings could be installed. After this notification the commission found it necessary to write the county twice before this application was filed.

At the hearing the county of Santa Barbara was only able to bring forward one witness, Mr. Owen H. O'Neil, the county engineer. The supervisors, through neglect or otherwise, failed to appear at the hearing.

The testimony submitted shows that the relocation of the crossings in question was desired by the county on account of the relocation and improvement of the county highway from the state highway near Zaca to Los Olivos. This highway has been laid out in accordance with the best engineering practice, easy grades and light curves being substituted for the heavy grades and sharp curves of the old road. This is especially true of that portion of the road in the vicinity of the crossings at "A," as shown on the map filed with the application. The Pacific Coast Railway Company is not opposed to the change in location of the crossings at "A." The testimony shows that the view of the railroad tracks east of the crossing can be much improved by cutting down the bank on the northeast corner, as far back as the railroad right of way fence at the roadside and tapering to a point about seventy-five feet down the track. I believe that this change in location of the crossing at "A," between Engineer Stations 56 plus 00 and 57 plus 00, as shown on the highway map filed with the application, should be allowed and shall so recommend in the order following this opinion.

In regard to the change in crossings at "B," as shown on the aforementioned map, it appears that the county has abandoned a crossing under a railroad bent and has installed a grade crossing about one hundred fifty feet distant. The reason given is that the road approaching the trestle, from the Los Olivos or east side of the crossing, runs around the toe of a hill on a very sharp curve in close proximity to the trestle, so that a traveler is unable to see the undergrade crossing until about one hundred feet away and is unable to see the traffic approaching in the opposite direction until within eighty feet of the opening. It

appears that only one trestle bent is used for travel and, under present conditions, vehicles are unable to pass each other therein, which renders the subway dangerous. This is borne out by the fact that advance signs have been installed on the roadside warning travelers that they are approaching a subway. The ground at this point is very steep, so that the ground level, in the two trestle bents adjoining the roadway bent, is at a considerable difference in elevation from that of the roadway. The adjoining bent, on the east side, can not very well be used, as this would shove the westbound traffic into the hill still farther out of sight and would render the curve on the east side very much sharper.

The proper thing to do seems to be to cut away the toe of the hill at the sharp curve on the east side and widen the roadway, by wasting it over the side. The trestle bent on the west side of the one now in use could be filled to the same level and the earth could be held in place by a short concrete wall, so that the trestle timbers would not be decayed, or else the bent could be shortened and set on the top of the concrete wall. In this way, two roadways would be established, the view opened up and the bad curve somewhat lightened.

I believe that, if the suggestions mentioned above had been carried out, the county would not have spent any more money in improving this section of the old road than it did in grading the new road in this vicinity. The two roads could easily have been joined farther east. In that case, the public would have had the use of a safe undergrade crossing, instead of being forced to use a rather dangerous grade crossing.

In view of the above and taking into consideration the fact that this commission has spent much time and money in making a survey of the grade crossings of the state, in an effort to improve traffic conditions; and having tried, wherever possible, to install a separation of grades in place of existing crossings, I do not see my way clear to grant that portion of the application which petitions that a grade crossing be installed in place of an existing undergrade crossing, and I therefore recommend that that portion of the application be denied and that the county of Santa Barbara be allowed three months' time to abandon the grade crossing they have constructed in violation of the law and to realign their roadway so as to use the two bents of the railway trestles as an undergrade crossing, as previously suggested.

I recommend the following form of order:

ORDER.

The county of Santa Barbara having, on September 16, 1918, applied to this commission for permission to abandon two highway crossings over the right of way and tracks of the Pacific Coast Railway Company, one of said crossings being a grade crossing and the other an

undergrade crossing, and to establish two grade crossings in lieu thereof; a public hearing having been held and it appearing that that portion of the application covering the abandonment and establishment of the grade crossings at a point marked "A," as shown on the map accompanying the application, should be granted and that that portion relating to the abandonment of an undergrade crossing and the establishment of a grade crossing at "B," as shown on the above-mentioned map, should be denied.

It is hereby ordered that the county of Santa Barbara be and the same is hereby granted permission to abandon and close the grade crossing on the old county road and to establish a new grade crossing over the right of way and tracks of the Pacific Coast Railway Company, on the new county highway near Engineer Station 56 plus 00, as shown at the point marked "A" on the map attached to the application; said crossing to be constructed subject to the following conditions, viz:

(1) The entire expense of constructing the new crossing and abandoning the present crossing shall be borne by applicant. The cost of the maintenance of the new crossing in good and first-class condition, for the safe and convenient use of the public, shall be borne by applicant, except for that portion between the rails and two (2) feet outside thereof, which shall be borne by the Pacific Coast Railway Company.

(2) The applicant shall, at its own expense, cut down and remove the shoulder of the hill on the northeast corner of the crossing, for the width of the railroad right of way at the side of the new road and narrowing down to a point about seventy-five (75) feet east on the railroad right of way, in order to open up the view at this point.

(3) Said crossing shall be constructed twenty (20) feet in width and of a type to conform to that portion of the highway now built, with grades of approach not greater than eight (8) per cent; shall be protected by a suitable crossing sign, and shall in every way be made safe for the passage thereover of vehicles and other road traffic.

(4) The commission reserves the right to make such further orders relative to the location, construction, operation, maintenance and protection of said crossing as to it may seem right and proper, and to revoke its permission if, in its judgment, the public convenience and necessity demand such action.

It is further ordered that that portion of the application covering the abandonment of the undergrade crossing and the establishment of a grade crossing near Engineer Station 107 plus 00, at a point marked "B," on said map, be and the same is hereby denied.

It is further ordered that the grade crossing constructed by the county of Santa Barbara at the above-mentioned point "B" be removed within three (3) months from date of this order, and that the original

road through the trestle, modified in construction to conform to the remainder of the new highway, be rehabilitated along the lines suggested in the foregoing opinion, so as to form an undergrade crossing with two passages, one for eastbound and one for westbound traffic.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-first day of December, 1918.

DECISION No. 6004.

IN THE MATTER OF THE APPLICATION OF MOUNT WHITNEY POWER AND ELECTRIC COMPANY TO PURCHASE CERTAIN CAPITAL STOCK OF H. G. LACEY COMPANY AND TO ISSUE CERTAIN OF ITS PREFERRED CAPITAL STOCK IN PAYMENT THEREFOR, AND TO ACQUIRE THE BUSINESS, FRANCHISES AND PROPERTY AS A WHOLE OF H. G. LACEY COMPANY AND OF SOUTHERN CALIFORNIA EDISON COMPANY TO PURCHASE CERTAIN CAPITAL STOCK OF MOUNT WHITNEY POWER AND ELECTRIC COMPANY.

Application No. 3890.

Decided December 21, 1918.

Order granting authority to purchase utility already giving reasonable returns on investment does not grant to purchasing company authority to increase rates, because rates are lower than those charged by purchasing company.

Harry J. Bauer, for Southern California Edison Company, Mount Whitney Power and Electric Company, and H. G. Lacey Company.

GORDON, *Commissioner*.

OPINION.

Applicants in the above-entitled matter ask the Railroad Commission to make its order authorizing:

(a) Mount Whitney Power and Electric Company to purchase \$101,000.00 of outstanding stock of H. G. Lacey Company.

(b) Mount Whitney Power and Electric Company to issue \$200,000.00 of 7 per cent preferred stock in payment for the \$101,000.00 of H. G. Lacey Company stock owned by Huntington Land and Improvement Company.

(c) Southern California Edison Company to purchase said \$200,000.00 of 7 per cent preferred stock of Mount Whitney Power and Electric Company at a cost of \$164,355.37, plus interest at 6 per cent from July 1, 1918.

(d) H. G. Lacey Company to convey its business, franchises and property as a whole to Mount Whitney Power and Electric Company.

In brief this application involves the sale of the properties of H. G. Lacey Company to Mount Whitney Power and Electric Company and vesting the ultimate control of the properties in the Southern California Edison Company. Through stock ownership, Southern California Edison Company now controls Mount Whitney Power and Electric Company.

H. G. Lacey Company is engaged in the transmission, delivery and furnishing of electricity for light, heat and power in the city of Hanford and in certain unincorporated territory contiguous thereto. The company has issued \$101,000.00 of stock, all of which is owned by Huntington Land and Improvement Company.

In Exhibit No. 2 applicants report the net assets of H. G. Lacey Company as of May 31, 1918, as follows:

Capital assets	\$187,687 80
Current assets	29,368 88
Deferred charges	133 77
Total	\$217,190 45
Less liabilities to be assumed.....	29,982 99
Net assets	\$187,207 46

In exchange for the acquisition of these assets, Mount Whitney Power and Electric Company intends to issue \$200,000.00 of 7 per cent preferred stock, and assume all of the liabilities of H. G. Lacey Company.

H. G. Lacey Company has submitted reports to the Railroad Commission showing revenues and expenses as follows:

Item	1917	1916	1915
Operating revenues	\$73,428 96	\$77,780 66	\$81,404 35
Operating expenses	54,020 63	54,229 74	58,753 49
Net operating revenues.....	\$19,408 33	\$23,550 92	\$22,650 86
Nonoperating revenues:			
Rent of buildings.....	\$30 00		
Total	\$30 00		
Gross corporate income.....	\$19,438 33	\$23,550 92	\$22,650 86
Deductions:			
Uncollectible bills	\$716 87	\$1,214 32	\$573 56
Interest expense	36 13	1,392 00	2,096 30
Miscellaneous			5,920 80
Total deductions	\$753 00	\$2,606 32	\$8,600 60
Surplus for year.....	\$18,685 33	\$20,944 60	\$14,050 26
Surplus beginning of year.....	80,775 68	66,621 81	46,571 55
Total surplus	\$99,461 01	\$81,566 41	\$60,621 81
Deductions from surplus:			
Dividends			
Other deductions	\$698 39	\$790 73	
Total deductions	\$698 39	\$790 73	
Surplus end of year.....	\$98,762 62	\$80,775 68	\$60,621 81

At present H. G. Lacey Company is purchasing its electrical energy from the San Joaquin Light and Power Corporation. Neither the San Joaquin nor the Mount Whitney companies are distributing energy in the territory occupied by the Lacey company. Consequently the question of duplication of property does not arise in this proceeding.

In Decision No. 5985 the Railroad Commission found that the present rates of H. G. Lacey Company are reasonable. At the hearing on this application, Mr. Harry J. Bauer expressed the opinion that if this application is granted Mount Whitney Power and Electric Company intended to put into effect the same rates in Hanford as are in effect on the other portions of its system. As said, the commission in Decision No. 5985 has found the present rates of the Lacey company to be yielding a reasonable return on the investment. The proposition of authorizing a public utility corporation earning a reasonable return to sell its properties, and then permit the purchasing company to increase the rates charged the consumers served by the corporation whose properties are sought to be acquired, because the existing rates of the purchasing company may not be remunerative, does not meet with my approval. The commission is not ordering the sale of this property. The order herein is merely permissive, not mandatory. It occurs to me that a large corporation, speaking in relative terms, such as Mount Whitney Power and Electric Company as compared with H. G. Lacey Company, should be able to operate in Hanford as cheaply and as economically as H. G. Lacey Company. While I am willing to recommend that this application be granted, it is with the distinct understanding that the recommendation does not carry with it any commitment to any increase in the rates now charged the consumers of H. G. Lacey Company.

I herewith submit the following form of order:

ORDER.

Application having been made to the Railroad Commission for authority to transfer the properties of H. G. Lacey Company, issue stock to effect such transfer and sell said stock to the Southern California Edison Company as outlined in the foregoing opinion, a public hearing having been held, and the commission being of the opinion that the money, property or labor to be procured by the issue of the \$200,000.00 of stock is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purpose or purposes are not in whole or in part reasonably charged to operating expenses or to income,

It is hereby ordered as follows:

(a) Mount Whitney Power and Electric Company may purchase the \$101,000.00 of outstanding stock of H. G. Lacey Company.

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(b) Mount Whitney Power and Electric Company may issue \$200,000.00 of 7 per cent preferred stock in payment for the \$101,000.00 of H. G. Lacey Company's stock owned by Huntington Land and Improvement Company.

(c) Southern California Edison Company may purchase the \$200,000.00 of 7 per cent preferred stock of Mount Whitney Power and Electric Company, issued to acquire the stock of H. G. Lacey Company, for the sum of \$164,353.57 cash plus interest thereon at 6 per cent per annum from July 1, 1918, to the date of the transfer of the properties herein authorized.

(d) H. G. Lacey Company may sell and transfer its business, franchises and property as a whole, described in Exhibit "1," attached hereto, to Mount Whitney Power and Electric Company, it being understood that there will be no other consideration for the transfer of the properties than the issue of \$200,000.00 of 7 per cent preferred stock of Mount Whitney Power and Electric Company, and the assumption and payment of all the outstanding debts and liabilities of H. G. Lacey Company by Mount Whitney Power and Electric Company.

The authority herein granted is upon the following conditions and not otherwise:

1. The consideration at which the public utility properties are herein authorized to be transferred shall not be considered as a measure of value of said properties before this commission or any other public body for rate-fixing or any purpose other than the transfer herein authorized.

2. Within thirty days after the execution by the petitioners herein of an instrument of conveyance, transferring the properties herein authorized, a certified copy of the instrument of conveyance shall be filed with the Railroad Commission by Mount Whitney Power and Electric Company; also a statement showing in detail the debts and liabilities assumed by it.

3. Mount Whitney Power and Electric Company shall keep a true and accurate record of the issue of the stock herein authorized and shall on or before the twenty-fifth day of each month, until all of said stock has been issued, and the proceeds expended, file with the Railroad Commission a verified report as required by the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted to transfer property and issue stock shall apply only to such property as may be transferred and to such stock as may be issued on or before January 31, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-first day of December, 1918.

EXHIBIT NUMBER ONE.

In a statement filed with the Railroad Commission on December 13, 1918, the properties of H. G. Lacey Company to be acquired by Mt. Whitney Power and Electric Company are described as follows:

1. Lots 17, 18, 19, 20, 21, 22 and 23 in Block 77, in the Town of Hanford, in the County of Kings, State of California.

2. That certain franchise granted to Joseph H. Johnson, on February 4, 1891, by the Board of Supervisors of the County of Tulare, State of California.

3. All right, title and interest in and to the franchise granted to H. G. Lacey & Co., on September 13, 1897, by Ordinance No. 25 of the Board of Supervisors of the County of Kings, State of California.

4. The privilege of using the public streets and thoroughfares of the City of Hanford, California, and of laying down pipes and conduits therein, and connections therewith so far as may be necessary for introducing and supplying such city and its inhabitants with illuminating light as granted by Section 19 of Article 11 of the Constitution of California, as amended in 1885.

5. All buildings, substation, shops, mains, plants, works, wires, poles, machinery, fixtures and apparatus, motors, underground pipes, conduits, subways, repair shops and buildings, all tools, instruments, equipment, appliances, materials and supplies, horses, wagons, automobiles, all notes, securities and other obligations, all rights and contracts to sell and furnish electric light and power, business and goodwill, and all rights and consents to construct and, maintain electric lines, wires, subways, pipes and conduits for conveying electricity, all franchises, ordinances, licenses, agreements, contracts, rights, easements, rights-of-way, leases and leasehold interests, grants, privileges and immunities, and all other property, real, personal and mixed of every kind, nature and description, owned, held, possessed or enjoyed by or in any manner conferred upon or appertaining to the H. G. Lacey Company, and the reversion and reversions, remainder and remainders, tolls, incomes, revenues, rents, issues and profits thereof, it being the intention to include herein the business franchises and property of the H. G. Lacey Company as a whole of all kinds, wheresoever situated.

DECISION No. 6012.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY AND CITY OF PASADENA FOR AN ORDER AUTHORIZING THE EXECUTION OF A CERTAIN AGREEMENT.

Application No. 3666.

Decided December 23, 1918.

Commission holds that it can not approve agreement which limits jurisdiction of commission, or makes it difficult to exercise its functions.

Harry J. Bauer, for Southern California Edison Company.

J. H. Howard, city attorney, for city of Pasadena.

EDGERTON, Commissioner.

OPINION.

Southern California Edison Company, hereinafter referred to as the "company," and the city of Pasadena, hereinafter referred to as the "city," ask authority to execute agreements substantially in the same form as the agreements attached to the petition herein and dated March 29, 1918. Reference will be made to the first of these agreements as the "lease" agreement and to the second as the "sale" agreement. The two agreements are in effect a lease with an option to purchase. The agreements define the terms and conditions under

which the company will lease and sell to the city its electrical distributing system in the city; also the terms and conditions under which the city will lease and sell certain of its electrical distributing lines outside of the boundaries of the city to the company.

Applicants allege that for a long period they have been operating electrical distributing systems in direct competition, with the resultant duplication of lines and equipment. The testimony shows that the city serves about 10,000 meters and the company about 5,000. The annual sales of the city are reported at 7,900,000 kilowatt hours and those of the company at 5,000,000 kilowatt hours. Of the total commercial, light and power business, exclusive of street lighting and city pumping, the city has 56.2 per cent and the company 43.8 per cent. In the outside territory, where the city and the company are in competition, the city has 67.06 per cent of the business and the company 32.94 per cent.

C. W. Koiner, general manager of the municipal lighting and power department of the city, testified that the rates of the city and the company in the city were the same, that no increase in the rates would result from the consummation of this application and there was a possibility of the rate being reduced after the city had acquired the company's properties. By getting rid of competition and duplication in plant and service, the city, according to C. W. Koiner, can operate the company's properties at a net profit of \$30,000.00 to \$40,000.00 per annum. The company, the testimony shows, earns at this time from 4 to 5 per cent on the investment in the city, while under the lease agreement the city will pay the company an 8 per cent return on the value hereafter referred to.

I believe that it is advisable to review briefly the agreements, but do not think it necessary to set forth in detail all of the terms and conditions. The lease agreement, with the option to purchase, is to continue in effect until May 23, 1920. If on January 1, 1920, the government of the United States shall be in a state of war with any other nation or nations and the lease has not been terminated, either party at its option may extend the lease for a period of not more than four months beyond the close of the war. In the event that at the bond election held for the purpose of authorizing the city to issue bonds to purchase the company's properties the voters should authorize the issue of bonds, but litigation should prevent the city from selling the bonds, the city at its option may extend the term of the agreement for three months beyond the close of such litigation, provided that any litigation in which the city may be interested shall be diligently pressed to the earliest possible decision.

The city agrees to pay to the company an 8 per cent return during the life of the lease agreement upon an agreed property value of

\$515,425.97 as of December 31, 1917, and an 8 per cent return on the cost of all extensions, additions and betterments installed subsequent to said date. The city further agrees to accumulate a depreciation fund during the terms of the lease at the rate of 3.36 per cent per annum upon a property value of \$446,775.34 plus cost of extensions and betterments subsequent to December 31, 1917. The city further agrees to purchase properties of the company at a cost of \$497,609.70 as the same existed on December 31, 1917, plus the cost of extensions and betterments subsequent to said date. The \$515,425.97, on which the company agrees to pay an 8 per cent return, is based upon A. R. Kelley's appraisal of the Edison company properties. In figuring the amount on which an annual depreciation is to be charged, the so-called "overhead charges" have been eliminated, while in calculating the purchase price, there have been eliminated certain property such as meters and transformers, which the city is willing to lease but not to purchase.

The city agrees to maintain at its own expense its steam plant in a condition ready for operation. The plant may be operated by the city when the service of the company is interrupted or upon order of the company should the company's service require such operation. The cost of operation in either case will be borne by the company.

The city agrees to lease to the company:

"All of its lines and distributing system located outside of its territory and boundaries as they exist on the date of the agreement, except the portion lying in and along the Dobbins right of way of Los Angeles city limits and north thereof east to Grand avenue to and including the Raymond Hotel."

Also all extensions and betterments installed subsequent to the date of the agreement.

The company shall pay for the properties an annual rental equal to 8 per cent on a gross value of \$27,928.81 plus an 8 per cent rental on the cost of all service connections since March 1, 1918; to accumulate a depreciation reserve fund at the rate of 3.36 per cent on an agreed value of \$24,285.92 plus the cost of additions and betterments. In the event that the city buys the company's property, the company is given an option to purchase the city's properties exclusive of the Raymond Hotel line at \$35,174.38 plus the cost of additions and betterments installed subsequent to March 1, 1918. During the life of the lease agreement, the properties of the company and city may be operated jointly by the company and city, respectively, but in such manner as to permit a severance of the two systems at any time during the term of the lease. Until the city buys the company's plant there can be no real consolidation of the two systems. The two systems may, however, be joined at certain points during the lease period. During this period, the properties of the two companies are to be maintained in a

status quo. The agreement provides in substance that new extensions shall be distributed between the city and company, so as to maintain as nearly as possible the present relation between the city and the company's plants and properties.

During the life of the agreement, the city agrees to purchase from the company all energy used in the leased system and the city's existing system, and agrees to receive no energy from other sources as long as the company's supply is sufficient. The rates for energy purchased set forth in the agreements and for the load factor at which the city operates will amount to approximately 8.75 mills per kilowatt hour. After setting forth the rates to be charged, the lease agreement provides:

"Both parties do hereby consent to the establishment by the Railroad Commission of the state of California of the foregoing schedules of rates for the service herein contemplated and both parties hereby agree not to apply directly or indirectly to the Railroad Commission for any change therein or modification thereof during the term hereof, it being the express agreement of the parties hereto that said rate shall continue in force without change or modification at all times during the term hereof."

"In the event that said schedule of rates shall be raised at any time during the term hereof by competent authority, the city may at its option terminate this contract. In the event that said schedule of rates shall be lowered at any time during the term hereof by competent authority, the company may at its option terminate this contract."

The agreement of sale provides in part:

"Both parties do hereby consent to the establishment by the Railroad Commission of the state of California of the foregoing schedule of rates for the service herein contemplated and both parties hereby agree not to apply directly or indirectly to the Railroad Commission for any change therein or modification thereof prior to May 3, 1928, it being the express agreement of the parties hereto that said rates shall continue in force without change or modification at all times during said term prior to May 3, 1928."

While this may not be a deliberate attempt to limit the jurisdiction of the Railroad Commission, for all practical purposes such will be the effect if the commission approves this agreement. The commission is here asked to ratify and approve rates agreed between the two parties, and after such approval, if hereafter because of changed conditions it finds the rates unreasonably high or low, it can not modify them without permitting one or the other party to terminate the agreement. If the parties to this agreement should conclude that the foregoing provisions were not inserted in the lease agreement or into the sale agreement for the purpose of limiting the jurisdiction of the Railroad Commission, then I know of no reason why the provisions may not be eliminated from the agreements. I am unable to recommend to the commission an agreement which on its face attempts to place a limitation upon, or at least make it difficult to exercise, the jurisdiction of the commission in fixing rates of a public utility.

There is one other provision of the lease agreement, which, in my opinion, should be eliminated for the reason that it also may be interpreted as placing a limitation upon the power of the commission. In paragraph 18 of the lease agreement*, the company agrees not to sell or furnish electrical energy to any individual, firm or corporation at a point outside of the city for the purpose of transmission by such individual, firm or corporation to a point within the city as it now or may hereafter exist, it being the intent that all electricity actually used within the limits of the city shall be furnished to the consumer by the city. The city, on the other hand, agrees not to supply electrical current to any consumer outside of the limits of the city as such limits may exist from time to time during the period of the lease agreement, excepting to pumping plants and other works owned in part or in whole under lease by the city, or to public schools which schools are being served with electrical current by the city on January 1, 1918, within the Pasadena School District, and excepting service to consumers on that part of the city's system lying outside of its territorial boundaries which it is not intended to lease to the company.

In this agreement the company asks the commission to approve a contract under the terms of which it agrees not to sell or furnish electrical energy to any individual, firm or corporation at a point outside of the city for the purpose of transmitting the same to an individual, firm or corporation to a point within the city limits. While the commission can not oust itself of jurisdiction by approving this contract, nevertheless the commission by approving it might hereafter be seriously embarrassed in the exercise of its jurisdiction.

This matter has been held in abeyance because at the time of the hearing and up to the signing of the armistice the federal government had a fixed policy of urging and insisting upon all concerned that wherever possible petroleum oil be conserved by the use of water-produced electricity. It appeared from the evidence that if this agreement was consummated the city of Pasadena would immediately cease using a large amount of hydroelectric energy theretofore served to it by the city of Los Angeles and there was no provision made for the absorption of this hydroelectric power by other consumers; hence it might easily be that oil would be consumed in generating electricity by Edison company for the use of the city of Pasadena and at the same time an equal amount of hydroelectric energy available from the city of Los Angeles would not be in use.

The parties concerned were urged by the commission to provide some means for the use of the hydroelectric energy thus released, but no feasible plan was presented; hence the commission did not feel warranted in authorizing the execution of this contract.

Now, however, the situation has changed. Since the signing of the armistice the federal government has practically annulled its activities with relation to oil conservation and we must judge of this proposal as governed by conditions prevailing in normal times. Therefore the test must be whether this contract if executed would result in bettering the condition of Edison company, the city of Pasadena and the public as represented by consumers.

The contract here presented successfully meets this test. The facts above set forth clearly indicate that both the city of Pasadena and Edison Company will be put in a very much more favorable financial situation than they now are and this should ultimately result in a benefit to consumers. On the other hand, there does not appear to be any counterbalancing detriment to be suffered by anybody as a result of this agreement unless it be the city of Los Angeles, which may be under the necessity of finding a market for the power released. However this may be, it would not be just to refuse approval of a contract beneficial to the parties most directly concerned upon the sole ground that as an incidental result an outside party might be somewhat embarrassed.

With the exceptions heretofore noted, I recommend that the contract be approved and that the parties thereto be authorized to carry out the terms thereof.

Herewith a form of order :

ORDER.

Application having been made by Southern California Edison Company and city of Pasadena for an order authorizing the execution of an agreement for the lease and sale of certain electrical distributing systems and a public hearing having been had and it appearing to the commission that this application should be granted under the conditions set out in this order,

It is hereby ordered by the Railroad Commission of the state of California that Southern California Edison Company and city of Pasadena are hereby authorized to execute an agreement for the lease and sale of certain electrical distributing systems, a copy of which contract has been filed in this proceeding and is attached to the application herein and reference to which said copy of contract is hereby made for particulars.

Southern California Edison Company and city of Pasadena are hereby further authorized to carry out the terms and conditions of said contract by the lease and sale of the properties therein specifically described.

Provided, however, that this order shall not become effective and said contract shall not be executed until there has been eliminated therefrom the following provisions:

"Both parties do hereby consent to the establishment by the Railroad Commission of the state of California of the foregoing schedules of rates for the

service herein contemplated and both parties hereby agree not to apply directly or indirectly to the Railroad Commission for any change therein or modification thereof during the term hereof, it being the express agreement of the parties hereto that said rate shall continue in force without change or modification at all times during the term hereof."

"In the event that said schedule of rates shall be raised at any time during the term hereof by competent authority, the city may at its option terminate this contract. In the event that said schedule of rates shall be lowered at any time during the term hereof by competent authority, the company may at its option terminate this contract."

"Both parties do hereby consent to the establishment by the Railroad Commission of the state of California of the foregoing schedule of rates for the service herein contemplated and both parties hereby agree not to apply directly or indirectly to the Railroad Commission for any change therein or modification thereof prior to May 3, 1928, it being the express agreement of the parties hereto that said rates shall continue in force without change or modification at all times during said term prior to May 3, 1928."

"The company further agrees not to sell or furnish electrical energy to any individual, firm or corporation at a point outside the city for the purpose of transmission by such individual, firm or corporation to a point within the city as it is now or may hereafter exist, it being the intent hereof that all electricity actually used within the limits of the city shall be furnished to the consumer thereof by the city."

"During the period of this contract the city shall not supply electrical current to any consumers outside of the limits of the city as such limits may exist from time to time during the period of this contract, excepting to pumping plants or other works owned in part or in whole or under lease by the city, or to public schools, which schools are being served with electrical current by the city on the 1st of January, 1918, within the Pasadena School District, and excepting service to consumers on that part of the city's system lying outside its territorial boundaries which is not leased herein to the company."

And a copy of said contract with the provisions above mentioned eliminated shall have been filed with this commission and a supplemental order made approving same.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-third day of December, 1918.

DECISION No. 6013.

IN THE MATTER OF THE JOINT APPLICATION OF THE SOUTHERN SIERRAS POWER COMPANY AND HOLTON POWER COMPANY FOR AUTHORITY TO INCREASE RATES FOR ELECTRICITY.

Application No. 3910.

Decided December 23, 1918.

All consumers should bear reasonable proportion of increased cost of utility commodity.

Increased fuel cost due to increase in quantity not chargeable to increased costs due to influence of war conditions. Increase in taxes, due to increase in rate of state tax, can not be charged to emergency war conditions, nor can county and city franchise taxes.

Stability of utility during development period depends upon a growth in its net return.

E. B. Criddle, for applicants.

John H. Miller, for California Alfalfa Growers Association.

Gavin McNab and *Nat Schmulowitz*, for California Central Creameries.

Sheldon Borden and *George H. Moore*, for Southwestern Portland Cement Company and Golden State Portland Cement Company.

Walter S. Clayson, for Temescal Water Company.

G. R. Freeman, for city of Corona and El Cerrito Ranch Company.

C. H. McFarland, for Moreno Water Company, Golden West Water Company and Ennis Brothers.

• *Phil D. Sving*, for Imperial Irrigation District.

H. N. Dyke, for city of Imperial.

J. S. Larcic, for city of El Centro.

F. A. Leonard, for city of Redlands.

R. M. Moore, for Yuma Light, Gas and Water Company.

H. Patterson, *E. A. Eastman* and *F. E. Howell*, and *Thomas C. Yager* of Coachella Date Growers Association, for Settlers of Coachella Valley.

George B. Bush, for city of Riverside, Ravino Water Company and Sunny Mountain Orange Company.

J. E. Horn, for National Brotherhood of Electrical Workers.

William Guthrie, for city of San Bernardino.

J. R. Gabbert, for Riverside Chamber of Commerce.

William Kingham, for city of Hemet.

James E. Barker, for California Alfalfa Growers Association, City of Riverside, Ennis Brothers, Golden West Water Company, Moreno Water Company, Golden State Portland Cement Company, Southwestern Portland Cement Company, El Cerrito Ranch Company and Temescal Water Company.

EDGERTON, *Commissioner*.

OPINION.

Southern Sierras Power Company and Holton Power Company request in their application that in consideration of the abnormal increased costs of operation, low rate of return earned on investment, inability of applicants to finance new developments and extensions necessary to meet essential demands for power and the inability of applicants to pay interest upon obligations from the revenue under present rates, that this commission grant them such financial relief in the form of increased rates as it deems adequate, fair and equitable.

In support of their request applicants submitted evidence to show the history of the companies, the investment which has been made to serve the public, the need for further development by the companies, increase in operating costs in 1918 over what would have occurred had pre-war conditions existed, together with summaries of operations from records of the companies.

Public hearings in this application were held in the city of Los Angeles and an adjourned hearing was held in El Centro before Examiner Encell on October 2 to take evidence with special reference to the quality of service rendered in Imperial Valley by Holton Power Company.

A number of protests against the granting of an increase of rates were filed. The protests of California Alfalfa Growers Association, C. E. Cook, W. B. Barker, Ennis Brothers and certain ranchers of Coachella Valley are in general to the effect that due to the increase in costs for labor, machinery and other necessary supplies and material, the profits which the farmers are able to obtain, even with the increased price of their produce, have been reduced to a very small margin and that if the applicants are allowed to increase their rates protestants will be forced to operate at practically no profit.

Imperial Irrigation District alleges that it has expended large sums in reconstructing its dredgers from steam to electric operation and that any increase of rates will work an undue hardship upon it.

City of Riverside protests against any increase of rates to it as its present contract rate is 1 cent per kilowatt hour and any increase granted will cause the city to lose the amount of the increase in its electric distribution service to the inhabitants of Riverside.

California Alfalfa Growers Association submitted reports on the operation of several farms owned by members of the association showing that even with the present higher price received from their products the earnings from ranches were small and less in per cent on investment than could be considered reasonable. Protestants have raised a point which must be given careful consideration in the fixing of applicants' rates. If rates be increased to a point which will make impossible the continuance of the farming industry the increase defeats itself and the company suffers rather than benefits by the increase. However reasonable increases may be made which while not unduly burdening industry will increase the revenue of the company and reflect the increased cost of furnishing the electric service.

The President of the United States and the Secretary of Treasury have urged that the public utilities should be maintained at their maximum efficiency and that everything reasonably possible should be done with that end in view. It is essential that this be done in the case of applicants to make possible the continued satisfactory operation of their system and the further development of power necessary to supply the needs of the territory served.

The fact that the city of Riverside is reselling electricity purchased from Southern Sierras Power Company to its inhabitants at a fixed rate should not be considered as reason for citizens of that city not bearing their fair proportion of the increased costs as other consumers directly served by applicant. In case of any increase of rate to the city, this increase may be absorbed by the city's electric distribution department or passed to its consumers in the form of increased rates. I can see no reason why all of applicants' consumers should not bear their reasonable proportion of increased costs.

It was generally agreed by all parties that briefs might be filed if submitted promptly and that any information relevant to the matters on file with the commission or subsequently required prior to the decision might be considered in evidence.

The Southern Sierras Power Company operates hydroelectric plants situated in Mono and Inyo counties and a steam stand-by plant located in the city of San Bernardino and transmits electric energy over a high voltage transmission line to points in Inyo County, the eastern portion of Kern County, in San Bernardino, Riverside and Imperial counties, including the Coachella Valley, where electric energy is distributed for lighting, heating and power purposes. The Southern Sierras Power Company also operates a small Deisel engine electric plant located in the city of Blythe at the extreme eastern portion of Riverside County. In the transmission of energy applicant operates a transmission line over 400 miles in length extending from Bishop, Inyo County, through San Bernardino to El Centro and Yuma.

The Holton Power Company purchases energy from the Southern Sierras Power Company at El Centro and also owns a small hydroelectric plant at Holtville and operates an auxiliary steam and gas-electric stand-by plant at El Centro. It distributes electric energy for lighting, heating and power purposes in and throughout the Imperial Valley and also sells energy to the Mexical Light and Water Company in Lower California-Mexico.

Southern Sierras Power Company, in addition to the service for general light and power, including agricultural power, supplies electric energy for the operation of tungsten mines in the vicinity of Bishop and Atolia, soda plants near Owens Lake, potash works at Searles Lake, and cement plants and mines along its transmission line. Energy is sold for redistribution to the city of Riverside, C. H. L. Ghriest for distribution in Banning, Holton Power Company for distribution in Imperial Valley and to Yuma Light, Gas and Water Company. Under a lease agreement, plants of Nevada-California Power Company are operated and energy sold to that company for redistribution in Nevada. Power is interchanged with Southern California Edison Company through a frequency changer at Colton.

Holton Power Company distributes electricity for light, heat and power service in Imperial Valley. The service is limited largely to lighting and industrial power in the main cities of El Centro, Brawley, Imperial, Celexico and Holtville. The power service is chiefly for the operation of cotton gins and cottonseed oil mills and ice plants.

The electric sales estimated for 1918 are 82,137,000 kilowatt hours, and Mr. A. B. West, general manager, testified that demands for additional power for operation of plants which he considered essential to the

war industries had been made which would require an increased output in 1919 of 35,000,000 kilowatt hours. The service demands cover increased capacity in tungsten mines, soda and potash works, irrigation and dredgers, totaling over 5,000 horsepower of additional load. Applicants' load is divided approximately as follows:

Lighting	5 per cent
Agricultural power (irrigation)	25 per cent
Mining	10 per cent
Industrial	40 per cent
Other utilities	20 per cent

The Southern Sierras Power Company was organized in 1911 by Nevada-California Power Company, which was then distributing energy for mining in Nevada. A hydro power plant was constructed on Bishop Creek, transmission line to San Bernardino and a steam plant in the latter place and distribution systems constructed and purchased and extensions made to serve territory and develop business. Later Coachella Valley Ice and Electric Company, an allied corporation, constructed a transmission line from Banning to El Centro to serve Holton Power Company. During the past development the Bishop Light and Power Company, Corona Gas and Electric Company, Rialto Light, Power and Water Company, Coachella Valley Ice and Electric Company and the Holton Power Company were purchased by the interests owning and operating the Southern Sierras Power Company, but the separate companies were not consolidated until the spring of 1918 when Southern Sierras Power Company purchased all but the Holton Power Company and at present there exists only two operating companies. These two companies are owned and controlled by the Nevada-California Electric Corporation, which is the holding company, and in addition to these controls the Nevada-California Power Company and several other utility and nonutility companies.

Practically all financing is done through Nevada-California Electric Corporation, the holding company. It is claimed that this has been beneficial in the past and has made possible the financing which otherwise could not have been done by the operating companies owing to the low return earned during the development of the business.

This application is made jointly by the two companies which are closely allied. The question has been raised as to whether the operation of the two companies should not be considered separate. Both companies are under one direct ownership and management. I believe under the present emergency the two companies may rightly be considered as one in so far as this proceeding is concerned, due consideration being given as to the relative rates of the two companies and proportion of cost to be borne by cash.

Applicants' request for increase is apparently based primarily upon increase in cost of operation due to war conditions, including cost of

oil, materials, labor and taxes. In their presentation applicants introduced evidence to the effect that had 1915 costs continued to 1918 the companies' operating costs would have been \$307,618.01 less than the actual estimate under present conditions. The statement of this estimate from applicants' Exhibit No. 13 is as follows:

*The Southern Sierras Power Company and Holton Power Company.
Rate Application No. 3910.*

Estimated amount of excess of operating cost per annum, caused by the increase in unit costs at this date as compared with unit costs of the year 1915, plus additional fuel cost due to increased quantity needed for 1918.

Items (See note of increase)	Base 1918, estimated	Base 1915	Increase total	Per cent increase
a. Pay rolls -----	\$239,058 00	\$194,119 36	\$44,938 64	\$23 15
b. Materials -----	72,783 00	40,490 00	32,293 00	79 75
b. Increased freight on material figured c -----	1,000 00		1,000 00	
c. Fuel oil (due to increased price)	181,462 50	70,752 27	110,710 23	} 238 40
c. Fuel (due to increased quantity)			57,976 60	
d. Taxes -----	88,470 00	60,114 66	28,355 34	46 14
e. Insurance -----	5,200 00		5,200 00	
f. Miscellaneous -----	104,699 00	77,554 80	27,144 20	35 20
Totals -----	\$692,672 50	\$443,031 09	\$307,618 01	\$69 43

Certain increases included in the above are not chargeable to increased costs due to influences of war conditions. I refer to increased "fuel cost (due to increased quantity)". This item would have occurred regardless of war conditions, and is due to growth of business in excess of increase of plant capacity, and due to short water year. Increase in taxes, due to increase in rates of state tax, also can not be charged to emergency war conditions, nor are county and city franchise taxes.

No complete and detailed valuation has been made of applicants' property by the commission. Valuations have been made of certain of the properties, but not of the larger Southern Sierras Power Company and Holton Power Company's system. The company reports for the consolidated and combined properties as of average of 1918 a capital investment of \$9,715,788.46. This includes estimated cost of physical properties and an estimated development cost based upon capitalization of deficit in earnings below an 8 per cent return. The segregated items set forth by applicants are as follows:

Southern Sierras Power Company and Holton Power Company.

	1918 estimate
(a) Depreciable property -----	\$6,073,831 05
(b) Nondepreciable property:	
1. Lands and rights of way -----	439,117 85
2. Water rights -----	382,000 00
3. Organization -----	32,080 00
Addition -----	10,144 95
	\$863,342 80

(c) Working capital and material and supplies.	
1. Cash	\$55,650 00
2. Materials and supplies.....	259,000 00
3. Notes and accounts received.....	370,950 00
4. Other items	5,174 00
	\$690,774 00
(d) Development cost	2,123,840 61
Total	\$9,715,788 46

It is not possible at this time to pass upon the correctness of the item of "development cost." Applicant has operated at small return during the past, due to the sparsely settled territory served, and is entitled to consideration for this fact. In this proceeding I will not pass upon the correctness of this claim, but will use the companies' figures other than the item of development cost and with corrections for working capital to conform with the commission's general practice to determine the comparative earnings of the properties for the year 1918 and previous years.

The following table shows the comparative capital, earnings, and expenses as reported for the entire properties of the applicants with inter-company transactions eliminated:

Southern Sierras Power Company and Holton Power Company.
(Intercompany Transactions Omitted.)

Comparative Earnings.

	1913	1914	1915	1916	1917	Estimate, 1918
Comparative capital ...	\$4,875,000	\$5,395,000	\$5,906,000	\$6,240,000	\$6,950,000	\$7,305,000
Gross earnings	\$457,133	\$710,828	\$753,367	\$794,083	\$1,089,100	\$1,364,018
Expenses	306,615	415,646	296,270	381,342	515,412	856,590
Per cent for interest and depreciation	\$150,518	\$295,182	\$457,097	\$412,741	\$573,688	\$507,428
	3.09	5.48	7.75	6.62	8.25	6.95

In the above table the 1918 estimate of revenue and expense is based upon Exhibit No. 9 of applicant, corrected for further increase in cost of oil of \$10,000.00, due to increased freight rates.

A study of the growth of the companies' business and net return shows that had the normal growth continued, applicants' net earnings on the above capital would have been approximately 9.3 per cent for interest and depreciation, or \$680,000.00.

From this, it appears that at present rates, applicants' net earnings are \$172,572.00 below what they would have been. This increase for state and county taxes would require an increase in gross revenue of \$185,000.00

The year 1917 was approximately an average year as regards supply of hydro-power, and the companies' operating expenses not greatly increased by war conditions. The operating ratio of expense to gross revenue that year was 47.5 per cent. This applied to 1918 gross revenue would show a net for interest and depreciation of \$717,000.00 had the 1917 conditions continued, or a return of \$209,572.00 in excess of the estimated return for 1918.

Considering all the above facts, and the absolute need of the territory served for essential industries and the willingness of applicants (provided they may obtain the moneys to finance the necessary development) to render said service, I find that applicants' net for depreciation and return based upon 1918 conditions should be increased to an amount of \$700,000.00.

Two estimates of depreciation were submitted. From an investigation of depreciation allowances made by this commission in other proceedings and from the available information in this application, I believe that \$150,000.00 is a reasonable annuity for the combined properties.

In allowing the increases herein set forth, which may result in a relatively higher return than previously earned, it must be remembered that applicant is still in the development stage. Its stability during this period depends upon a growth in its net return.

The comparative statement for 1917 and 1918, were the total increased return for the latter year obtained, would be as follows:

Southern Sierras Power Company and Holton Power Company.
(Intercompany transaction eliminated.)

	1917	1918
Relative capital -----	\$6,950,000	\$7,305,000
Gross revenue -----	1,089,100	1,364,018
Increase -----	-----	207,000
Total -----	\$1,089,100	\$1,571,018
Expense -----	515,412	856,590
Taxes on increase -----	-----	14,428
	\$515,412	\$871,018
Net for depreciation and return -----	573,688	700,000
Depreciation -----	143,000	150,000
Net -----	\$430,688	\$550,000
Per cent of relative capital -----	6.2%	7.51%
Interest and amortization of discounts -----	398,675	415,343
Surplus -----	32,013	134,657

Applicant has a number of consumers receiving service under rates other than filed schedules. These consumers are enjoying special reduced rates as against those being served on the regular schedules. This practice should be discontinued and all consumers placed upon schedules where the schedules apply before any increase is granted. No exact estimate is available showing what increase on gross revenue

would result from this charge, but it may be fairly assumed that at least \$10,000.00 per year will result. There are certain special contracts to which the schedule rates do not apply, and these should be continued.

A general analysis of the applicants rates has been made, and certain changes are recommended which are set forth in this order.

Special reference was made to the rates and service in Blythe, where Southern Sierras Power Company operates a Deisel engine electric plant serving that town with electricity for lighting and small power. This system was installed in 1917, at which time applicant was very desirous of installing the system and preventing another party from serving the town of Blythe. The earnings of the local plant have so far not equalled the expenses, but this could be expected at least for the first several months, owing to the slow development of business. Applicant should, however, continue its present service, and if necessary absorb the losses pending a more complete development of business in that district. I believe, however, that a slight change in rates should be made at this time before the surcharge hereinafter authorized is applied to the rates for Blythe as set forth in the order herein.

Considering the emergency features of this application, the causes of the increased cost of service and the need for prompt action, I recommend that the increase in rates be made in the form of a surcharge to be added to the bills as determined from the regular schedules. In determining the surcharges, it appears reasonable to consider the two companies as a consolidated system, and no surcharges applied to the rate for energy sold the Holton Power Company by the Southern Sierras Power Company. Any increase in that rate would only result in an increase in the Southern Sierras Power Company's return, and an equal reduction in the Holton Power Company's return and this would not in any way be of importance, as both companies are owned and controlled by the same holding corporation.

I recommend the following surcharges to be charged by applicants for service rendered. The amounts resulting from these surcharges to be added to the bills as rendered, based upon the regular schedule:

For electric energy sold for domestic and commercial lighting service outside city of San Bernardino-----	1½ cents per kilowatt hour
For electric energy sold for domestic and commercial lighting service in the city of San Bernardino-----	1 cent per kilowatt hour
For electric energy sold for heating and cooking service-----	5 mills per kilowatt hour
For electric energy sold for municipal street lighting service-----	15 per cent of monthly bills for service
For electric energy sold for agricultural, industrial and mining power service other than cement plants-----	2½ mills per kilowatt hour
For electric energy sold for the operation of cement plants-----	2 mills per kilowatt hour
For electric energy sold to other electric utilities other than Nevada-California Power Company and Southern California Edison Company-----	2 mills per kilowatt hour

The effect of the above surcharges upon the revenue of the companies, based upon the estimated sales for 1918, as set forth in Exhibit No. 3 of applicants, is set forth in the following table:

Increased Revenue Due to Surcharge Based on 1918 Sales.

Classification of service	Sales, kilowatt hours	Revenue	Surcharge, per kilowatt hour	Increase in revenue due to surcharge
1. Domestic and commercial lighting, heating and cooking-----	3,366,280	\$289,220	1½¢, 1¢, and ½¢	\$49,000
2. Municipal lighting -----	412,100	25,680	15% of bills	3,852
3. Agricultural power -----	20,328,722	288,050	2½ mills	50,820
4. Industrial power -----	25,873,519	412,540	2½ mills	64,684
5. Cement plants -----	6,920,000	77,000	2 mills	13,840
6. Mining power -----	8,632,600	101,000	2½ mills	20,080
7. Power sold to Nevada-California Power Company-----	11,850,533	71,103		
And other electric utilities-----	5,354,200	88,725	2 mills	10,708
Totals -----	82,137,354	\$1,353,318		\$212,984

Protests were filed and numerous complaints were made by representatives of Imperial Valley against the quality of service rendered by Holton Power Company, and the refusal of that company to make extensions for service. The main complaint is regarding the number and length of interruptions to electric service which have occurred.

A hearing regarding these particular matters was held at El Centro on October 2 before Examiner Encell.

The larger part of the power supplied in Imperial Valley is from the Southern Sierras Power Company's system, being transmitted over at a 55,000-volt transmission pole line from San Bernardino to El Centro, a distance of approximately 200 miles. A considerable part of this distance is through desert country where maintenance of line is difficult. The local generating facilities consisting of gas-electric and steam-electric plants, are not sufficient in capacity to supply the demands of the valley in case of transmission line interruption and it is out of the question at this time at least to require applicant to install plant capacity sufficient to insure against interruptions of power service due to the transmission line.

This matter of interruptions was previously brought before the commission in connection with complaints filed by the cities of Calexico and Brawley, Cases 1160 and 1163, which were decided on February 7, 1918, in Decision No. 5120, in which decision the commission ordered that Southern Sierras Power Company and Holton Power Company make certain changes in their line construction and plant installation. The result of the changes made has reduced considerably the number and length of service interruptions which have occurred. However, there are still a considerable number of interruptions to service.

The consensus of opinion as brought out at the hearing held in El Centro was that the consumers of Holtan Power Company realized that at the present time, due to the prevailing emergency conditions, the cost of producing service by the power company was exceptionally high and that they were willing to assume a just proportion of the increased expense but desired that all that economically could be done to improve the service conditions.

An inspection of the company's records and a report by the commission's electric engineer who has inspected the companies' plants and transmission line shows that one of the important causes of service interruption is the failure of what is known as "Porter Yokes" installed on the line at road crossings, and it is recommended that the "Porter Yokes" be eliminated. There are a large number of these installations and it will take considerable time to remove the same; also, this removal will necessarily cause interruptions to service owing to the fact that the transmission line service must be discontinued while this work is being done. I believe, however, that applicants should take steps to remove these installations as fast as possible with the least inconvenience to applicants' consumers in Imperial Valley.

Applicant has had difficulty in enlarging the capacity of its local steam plant to 350 kilowatts but it appeared at the hearing that this could be completed in a short time. I strongly recommend that the present installed gas-electric plant at El Centro be overhauled and repaired so as to make available its maximum capacity that the steam plant be enlarged to a capacity of at least 350 kilowatts and that Holtan Power Company take special care to maintain these plants at their maximum capacity in order that they may supply, during interruptions of transmission line service, as large a part of the local load as possible.

On account of reconstruction that was carried out at Rositas reservoir and the back-up of the water in the Alamo River, the Holtville hydro-electric plant of applicant has been put in a nonoperating state. However, the plant had to be shut down due to failure on the part of the irrigation district to supply sufficient water for its operation. Applicants estimate that for a total expenditure of approximately \$50,000.00 this plant can be relocated and put into operating condition with an output of 900 horsepower. There is, however, considerable doubt whether applicants can obtain the necessary water supply from the irrigation district, although it has a long term contract for a sufficient supply. If sufficient water supply can be assured for the successful and continued operation of the plant, I believe the reconstruction work should be undertaken, as energy from the proposed plant is needed in the Imperial Valley during the coming year.

It is the practice of Holton Power Company, in case of transmission line interruption, to render service from its local plants in so far as possible, first, to lighting circuits and then to smaller power consumers. Certain power consumers handling raw or perishable products and certain others which required service on account of legal obligations or for public health or safety which are now served off of the power circuits and can not obtain service during transmission line interruptions, have urged that arrangements be made whereby they can obtain service during times of transmission line interruption. The rendering of such service could be made feasible by the arrangement of a double throw switch, allowing such consumers to change over to the lighting circuit at such times as it may be necessary for them to do so. Applicant should submit to the commission a list of the consumers requiring such service.

I recommend the following form of order:

ORDER.

Southern Sierras Power Company and Holton Power Company having applied to the Railroad Commission for authority to increase their rates for electric service, hearings having been held and the matter having been submitted and now ready for decision,

The Railroad Commission hereby finds as a fact that the payment of rates other than filed schedules by certain consumers of Southern Sierras Power Company and Holton Power Company where such filed schedules apply to their particular class of service constitutes a discrimination against other consumers purchasing energy under filed schedule rates; that certain of the existing rates for electric service should be changed or eliminated as herein designated; and that the basic rates herein designated are insufficient to provide Southern Sierras Power Company and Holton Power Company with a fair and reasonable return under the present abnormal conditions of operation and that the charges for service under said rates should be increased by the surcharges herein-after set forth, and that the practice of free lamp renewals by Southern Sierras Power Company in certain territory should be discontinued.

Basing its order on the foregoing finding of fact and other findings of fact contained in the opinion which precedes this order.

It is hereby ordered that on and after the second day of January, 1919, Southern Sierras Power Company and Holton Power Company shall charge and collect for electric energy sold, based on all regular meter readings taken on and after said date, only the schedules of rates on file with the commission or as herein otherwise ordered, or which may hereafter be filed with the approval of the Railroad Commission, except for energy sold under contracts to which no filed schedule or rates will apply, in which case existing rates shall be

charged; and provided that nothing in this order shall be construed to prevent Southern Sierras Power Company and Holton Power Company from granting free or reduced rates to service as set forth in paragraph 5 of General Order No. 45 of this commission.

It is hereby further ordered that Southern Sierras Power Company shall make the following changes in its rate schedules on file with the commission, such changes to become effective for all bills rendered for meter readings taken on and after January 2, 1919:

(1) Southern Sierras Power Company's schedule designated as "G-2-C," applicable to city of San Bernardino, San Bernardino County, to be canceled.

(2) Schedules for electric power service to be filed applicable within the city of San Bernardino, the rates of said schedules to be identical with those rates for the same electric service as filed by the Southern California Edison Company applicable within the city of San Bernardino.

(3) Lighting Schedule No. 7-A and Power Schedule No. 7-C, applying in and adjacent to the town of Blythe, Riverside County, to be canceled and superseded by the following schedules:

LIGHTING SCHEDULE.

Applying in and Adjacent to the Town of Blythe, Riverside County.

	Gross per K.W.H.	Net per K.W.H.
First 30 kilowatt hours per meter per month-----	14 cents	13 cents
Next 70 kilowatt hours per meter per month-----	12 cents	11 cents
Next 100 kilowatt hours per meter per month-----		10 cents
Next 300 kilowatt hours per meter per month-----		9 cents
Next 500 kilowatt hours per meter per month-----		8 cents
All over 1,000 kilowatt hours per meter per month-----		7 cents
Minimum bill per meter per month-----	\$1 60	\$1 50

The net rate is effective if the bill is paid on or before the twelfth day of the month next succeeding that for which the bill is rendered; otherwise the gross rate is effective.

POWER SCHEDULE.

Applying in and Adjacent to the Town of Blythe, Riverside County.

First 50 kilowatt hours per meter per month----- 12 cents per kilowatt hour
 Next 950 kilowatt hours per meter per month----- 6 cents per kilowatt hour
 All over 1,000 kilowatt hours per meter per month 4 cents per kilowatt hour
 Minimum charge, \$1.50 per month per horsepower of consumer's motor installation but not less than \$2.00 per month.

(4) Schedule "D" of Southern Sierras Power Company to be canceled.

It is hereby further ordered that Holton Power Company shall make the following changes in its rate schedules on file with the commission, such changes to become effective for all bills rendered for meter readings taken on and after January 2, 1919:

(1) Paragraph "C" under section 5 of Holton Power Company's Preliminary Statement Sheet No. 4 to be revised as follows:

"(c) Delivery:

Where current is delivered by the company at more than one point the readings of the meter at the separate points of delivery can not be consolidated except that where current is delivered at one point and separate meters are installed for the convenience of the company the readings may be combined for determining the rate, and where current is used in the same location for light and power meter readings may be combined for basing rate but in such instances the lighting rate shall apply together with minimum based upon power installation."

- (2) General Lighting Schedule "A" and Guarantee Lighting Schedule "A-1" of Holton Power Company to be canceled and superseded by the following schedule:

GENERAL LIGHTING SERVICE.

	Gross per K.W.H.	Net per K.W.H.
First 100 kilowatt hours per meter per month.....	11 cents	10 cents
Next 100 kilowatt hours per meter per month.....	10 cents	9 cents
Next 200 kilowatt hours per meter per month.....		8 cents
Next 200 kilowatt hours per meter per month.....		6 cents
Next 400 kilowatt hours per meter per month.....		5 cents
All over 1,000 kilowatt hours per meter per month.....		4 cents

	Gross	Net
Minimum bill per meter per month.....	\$1 25	1 15

The net rate is effective if the bill is paid on or before the twelfth day of the month next succeeding that for which the bill is rendered; otherwise the gross rate is effective.

- (3) Schedule "C" of Holton Power Company shall be refiled, revising "Terms and Conditions" to read:

"This schedule shall be applicable to seasonal loads such as ice and refrigerating plants, cotton mills and gins, in which case the guarantee may be made for the operating period of not less than six (6) consecutive months in each calendar year, to be specified in advance, after which service may be discontinued and no guarantee will be exacted while so disconnected."

Southern Sierras Power Company is hereby authorized to discontinue the practice of supplying electric lamps to consumers free of charge on and after January 2, 1919.

It is hereby further ordered that Southern Sierras Power Company be and the same is hereby authorized to charge and collect, for energy sold, for metered service based on all meter readings taken on and after January 2, 1919, and for flat rate municipal and private street lighting service on and after January 1, 1919, in addition to the schedule rates on file or herein authorized, special contract rates allowed and rates for service to which free or reduced rates may be granted as specified in the preceding paragraphs of this order, the following surcharges applicable to the classes of service in amounts respectively set forth, said surcharges to be added to the bills as rendered, based upon the schedules herein designated:

For energy sold for lighting service, including domestic, commercial and municipal metered service other than street lighting, except in the city of San Bernardino	1½ cents per kilowatt hour
For energy sold for lighting service in the city of San Bernardino.....	1 cent per kilowatt hour
For energy sold for electric cooking and heating.....	5 mills per kilowatt hour
For energy sold for electric street lighting service.....	15 per cent of monthly bills
For energy sold for power service, including agricultural, industrial and mining power	2½ mills per kilowatt hour
For energy sold for the operation of cement plants.....	2 mills per kilowatt hour
For energy sold to other utilities, including municipal distribution systems other than Nevada-California Power Company and Southern California Edison Company.....	2 mills per kilowatt hour

Provided, Southern Sierras Power Company and Holton Power Company shall file with the Railroad Commission of the state of California

within ten (10) days of the date of this order, a statement showing the rates to which each of the surcharges hereinbefore authorized shall apply, which statement shall constitute an amendment to the rate schedules now filed or to be filed, and that Southern Sierras Power Company and Holton Power Company shall designate separately on the bills rendered to its consumers for electric service the amount due under the authorized surcharge; and further provided, that this order shall not prevent applicants from hereafter filing new rate schedules, subject to the approval of the Railroad Commission, if such new schedules shall not conflict with the purpose and intent of the provisions of this order.

It is hereby further ordered that Southern Sierras Power Company and Holton Power Company shall file with the Railroad Commission on or before January 2, 1919, and on the first day of each and every month thereafter, a statement showing the consumers receiving electric service at other than filed schedule rates, together with such other information as the Railroad Commission shall hereafter require.

It is hereby further ordered that Southern Sierras Power Company take immediate steps to remove all "Porter Yokes" installed upon its transmission line from San Bernardino to El Centro, the removal of said "Porter Yokes" to be carried on with due diligence and with the least inconvenience to consumers, replacing the construction with a type which shall be approved by the electrical engineering department of the commission. The removal of the "Porter Yokes" shall be completed within ten months from the date of this order.

It is hereby further ordered that Holton Power Company take immediate steps to place its gas-electric and steam-electric plants, located in El Centro, in condition to operate at maximum capacity and maintain the same at such capacity in the future.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-third day of December, 1918.

DECISION No. 6014.

IN THE MATTER OF THE APPLICATION OF F. W. HUNTER, AGENT AND GENERAL MANAGER FOR JOHN EARLE JARDINE, G. E. W. VOSBURG AND J. W. EDMINSON, TRUSTEES OF CENTRAL CALIFORNIA GAS COMPANY, FOR AUTHORITY TO INCREASE GAS RATES.

Application No. 4159.

Decided December 23, 1918.

*F. W. Hunter, in propria persona,
E. I. Fiemster, for city of Visalia.*

LOVELAND, *Commissioner*.

OPINION.

This is an application of F. W. Hunter, agent and general manager for the trustees of the properties of the Central California Gas Company, for authority to increase gas rates.

Applicant operates an artificial gas plant located in Visalia, transmission lines extending to Tulare, Exeter, Lindsay, Strathmore and Porterville, and distribution systems in each of the above-mentioned localities.

Applicant's request for an increase in rates is based upon increased cost of oil, labor and material. The rates now charged by applicant were established by this commission in its Decision No. 5306 in Application No. 3553, dated April 15, 1918, and are as follows:

Rate Per Thousand Cubic Feet.

	Gross	Net
First 500 cubic feet or less per month.....	\$0 85	\$0 75
Next 4,500 cubic feet per month.....	1 60	1 50
Next 5,000 cubic feet per month.....	1 45	1 40
Next 5,000 cubic feet per month.....		1 25
Next 10,000 cubic feet per month.....		1 10
All over 25,000 cubic feet per month.....		1 00

The net rate is effective on all bills paid on or before ten days after date of presentation of bill.

Conditions under which applicant is operating have changed considerably since the rates were previously fixed in April. Applicant's contract for oil at \$1.45 per barrel f. o. b. Coalinga expired September 1, 1918, and since that date a price of \$1.60 per barrel has been paid. An increase of 90 cents per ton in freight rates ordered by the United States Railway Administration has caused a further increase of approximately 14.4 cents per barrel of oil, making a total increase in the cost of oil of 29.4 cents above that paid prior to September. The cost of labor has increased materially since the first of 1918. The records of operation of applicant's plant for the six months ending September 30, 1918, show the following cost per 1,000 cubic feet of gas sold:

Per 1,000 Cubic Feet of Gas Sold.

Fuel oil	\$0.6710
Plant labor and miscellaneous supplies.....	.1823
Transmission and distribution expense.....	.0761
Commercial and general expense.....	.2407
Maintenance	.0910
Taxes	.08
Estimated depreciation allowance.....	.13
	\$1.4711

Applicant submitted an estimate of its operations for the year ending September 30, 1919, based upon an annual sale of 90,000,000 cubic

feet and upon an oil duty of 16.2 gallons per 1,000 cubic feet sold. This estimate shows the following:

Fuel oil -----	\$68,400 00	\$.75	} .485
Plant, labor and miscellaneous supplies-----	14,200 00	.155	
Transmission and distribution-----	5,400 00	.06	
Commercial, general and miscellaneous expenses-----	18,000 00	.20	
Maintenance of plant and system-----	6,300 00	.07	
Taxes -----	8,100 00	.09	
Allowance for depreciation-----	10,500 00	.13	
Total operating costs -----	\$130,900 00	\$1.455	

The properties of applicant were very poorly maintained for a considerable period previous to that in which the present interests have been in control, and have required in the past few months a large amount of maintenance to place them in their present operating condition. This has resulted in a larger cost of operation than would have occurred had they been maintained in good condition during the previous years. Applicant's use of oil has exceeded that which should occur in the future with reasonable maintenance of the property and the operations in the future should not require more than 15 gallons per 1,000 cubic feet as against 16.2 gallons at present.

Applicant submitted an inventory and valuation of its properties as of August 3, 1918, showing a total historical cost of \$362,544.00.

It is not possible at this time to make a detailed check of the valuation. However, a general investigation of the valuation has been made which shows that, in consideration of the emergency nature of this proceeding, it would be fair to assume a value for rate-making purposes of \$350,000.00. We believe that if, under present conditions, applicant is allowed rates from which it will realize a fair return upon this amount, its securities and service will be amply safeguarded until such time as economic conditions become more stable.

I have carefully investigated the evidence submitted, with due consideration to the changes in the estimate of cost urged in protestant's brief and find that the estimate of costs chargeable to operation for the ensuing year should be changed to the following:

Estimated annual cost per 1,000 cubic feet sold.

	Total	
Fuel oil at 15 gals. per 1,000 sold-----	\$63,400 00	
Plant, labor and miscellaneous supplies-----	14,200 00	
Transmission and distribution cost-----	4,400 00	
Commercial, general and miscellaneous expense-----	16,000 00	
Maintenance of plant and system-----	6,300 00	
Taxes -----	2,000 00	
Depreciation -----	8,750 00	
Six per cent return on \$350,000.00-----	\$123,050 00	\$1.37
	21,000 00	
	\$144,050 00	\$1.60

The average revenue received for gas during the six months ending September 30, 1918, under the existing rates, was \$1.43 per 1,000 cubic feet. During the coming year it is apparent from the previous table that at the present rates the company will earn operating expenses, an amount for depreciation, leaving an unreasonably small return upon the investment.

It is apparent, therefore, that applicant must receive increased rates for gas in order to continue to serve and receive reasonable compensation for the moneys invested to serve the public.

The rates set forth in the order herein it is estimated will return to applicant a revenue of slightly in excess of \$1.60 per 1,000 cubic feet and should be sufficient to enable applicant to meet its operating expenses when based upon oil duty of 15 gallons per 1,000 cubic feet sold, depreciation annuity of 2½ per cent and interest upon investment of 6 per cent.

I recommend the following form of order:

ORDER.

F. W. Hunter, agent and general manager for the trustees of the Central California Gas Company, having applied for authority to increase gas rates, a hearing having been held and the matter submitted and now being ready for decision, and the Railroad Commission finding as a fact that the existing rates under present conditions and present costs of operation are unjust and unreasonable, and further finding as a fact that applicant should be granted authority to increase its rates to those set forth in the order.

It is hereby ordered that the trustees of the Central California Gas Company be and the same are hereby authorized to charge and collect the following rates for gas, applicable to all regular meter readings taken on and after December 26, 1918, provided applicant shall have filed same with this commission on or before that date:

SCHEDULE "A."

General Service.

	Gross Per M. cu. ft.	Net
First 3,000 cubic feet per meter per month.....	\$1 80	\$1 70
Next 5,000 cubic feet per meter per month.....	1 65	1 55
Next 7,000 cubic feet per meter per month.....		1 30
Next 10,000 cubic feet per meter per month.....		1 20
All over 25,000 cubic feet per meter per month.....		1 10
Minimum bill per meter per month.....	1 10	1 00

The net rate is effective on all bills paid on or before ten (10) days after date of presentation of bill.

SCHEDULE "B."

Hotel and Restaurant Service.

First 25,000 cubic feet per meter per month---- \$1 20 per thousand cubic feet
 All over 25,000 cubic feet per meter per month.. 1 00 per thousand cubic feet
 Minimum bill per meter per month, \$30.00.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-third day of December, 1918.

DECISION No. 6016.

IN THE MATTER OF THE APPLICATION OF STOCKTON ELECTRIC RAILROAD COMPANY FOR AN ORDER GRANTING PERMISSION TO INCREASE FARES FOR THE TRANSPORTATION OF PASSENGERS.

Application No. 3803.

Decided December 23, 1918.

Arthur L. Lerinsky, for Applicant.

Daniel B. Marceau, city attorney, for the city of Stockton.

GORDON, *Commissioner*.

OPINION.

Applicant, a street car company operating in and about the city of Stockton, seeks permission to increase its passenger fares, alleging they are unreasonably low, that the revenue derived therefrom is insufficient to meet the cost of operation and furnish an adequate return upon the property devoted to the service. Furthermore, that the increase sought is necessary to provide additional revenue for the advances in wages of employees, mounting costs of materials, equipment and higher taxes.

Present tariff of petitioner provides one-way fare of five cents for adults within the city limits of Stockton and like fare for two children under five years of age. Provision is also made for school children's fares by the sale of books at the rate of 20 rides for 50 cents.

Applicant proposes to increase the five-cent fare to seven cents and sell tickets in books containing 5 rides for 30 cents.

The usual information of hearing held July 19, 1918, was given the press and notices mailed to different organizations, also posted in each of the company's street cars, notwithstanding which no objections were offered to the application, although the city of Stockton entered an appearance at the hearing through its city attorney.

The Stockton Electric Railroad Company was incorporated December 29, 1891, under the laws of the state of California, with an authorized capital stock of \$500,000.00, all of which has been issued and is held by the Southern Pacific Company.

At the time of incorporation the company purchased from the Stockton Street Railway Company, which operated a horse car line, the road and equipment of that company and thereupon reconstructed

the line into a double track narrow-gauge electric road. During the year 1906 the entire railroad was reconstructed and converted into a standard gauge track, at which time new equipment and power machinery were installed at a total cost of approximately \$400,000.00. Other amounts were expended, from time to time, for reconstruction, additions and betterments, and the company's ledger as of June 30, 1918, shows a balance in capital accounts totaling \$814,984.44. The accounts of the company prior to the year 1912 were not kept in accordance with the classification of accounts adopted by this commission, but they have been thoroughly checked by the commission's auditing department, and the following is a complete statement of the fixed capital spread over accounts in compliance with the standard classification:

Old road and franchises.....	\$192,310 92
New road and franchise.....	345,528 45
Additions and betterments.....	30,049 60
Construction	151,339 18
Equipment	83,829 17
Real estate	11,927 03
Total	<u>\$814,984 44</u>

The following table compiled from annual reports on file with the commission shows the income and profit and loss accounts of applicant for the fiscal years ending June 30, 1912 to 1916, inclusive, together with calendar years for 1916 and 1917:

*Income and Profit and Loss Statement of the Stockton Electric Railroad Company, in Detail, for the Fiscal Years Ending
June 30, 1912 to 1916, Inclusive, and the Calendar Years 1916 and 1917.*

	Fiscal year					Calendar year	
	June 30, 1912	June 30, 1913	June 30, 1914	June 30, 1915	June 30, 1916	December 31, 1916	December 31, 1917
<i>Operating Revenue.</i>							
Passenger revenue	\$172,346 24	\$189,664 03	\$207,730 45	\$199,044 18	\$217,147 78	\$218,755 74	\$235,248 12
Revenue from other railway operations	1,717 73	1,824 60	1,921 49	1,083 01	4,148 26	7,304 02	5,554 15
Total operating revenue	\$174,063 97	\$191,488 63	\$209,651 94	\$200,127 19	\$221,296 04	\$226,059 76	\$240,802 27
<i>Operating Expenses.</i>							
Way and structures	\$11,224 71	\$16,008 42	\$12,566 10	\$13,320 90	\$17,114 03	\$14,684 97	\$13,240 86
Equipment	8,255 78	8,728 95	15,209 11	16,075 12	15,038 07	15,570 93	18,050 00
Power	14,049 40	14,693 94	17,888 08	16,206 51	21,286 23	23,738 89	23,965 04
Conducting transportation	55,302 51	57,272 98	63,311 51	65,396 65	81,619 95	84,955 59	92,303 25
Traffic	2,091 80	3,016 57	2,339 76	2,427 12	2,235 34	1,937 54	2,198 59
General and miscellaneous*	9,198 61	10,789 02	17,295 23	16,537 20	41,523 10	43,125 62	21,123 79
Transportation for investment				62	27 92	1,448 54	
Total operating expenses	\$100,062 81	\$110,509 88	\$128,059 79	\$129,962 88	\$178,788 80	\$185,462 08	\$170,881 53
Net operating revenue	\$74,001 16	\$80,978 75	\$81,592 15	\$70,164 31	\$42,507 24	\$40,597 68	\$69,920 74
Taxes	6,870 46	8,554 84	10,698 11	10,720 88	11,399 74	11,624 28	16,462 14
Operating income	\$67,130 70	\$72,423 91	\$70,894 04	\$59,443 43	\$31,107 50	\$28,973 40	\$53,458 60
<i>Nonoperating Income.</i>							
Miscellaneous rent income				\$176 00	\$41 00	\$36 00	\$101 00
Income from unfunded securities and accounts				1,838 52	195 73	110 41	2,864 06
Miscellaneous income			\$298 17	601 45	1,188 72	1,851 11	1,159 67
Total nonoperating income			\$298 17	\$2,615 97	\$1,425 45	\$1,997 52	\$4,124 73
Gross income	\$67,130 70	\$72,423 91	\$71,192 21	\$62,059 40	\$32,532 95	\$30,970 92	\$57,583 33

Income and Profit and Loss Statement of the Stockton Electric Railroad Company—Continued.

	Fiscal year				Calendar year	
	June 30, 1912	June 30, 1913	June 30, 1914	June 30, 1915	June 30, 1916	December 31, 1917
<i>Deductions from Gross Income.</i>						
Rent for leased roads.....					\$2,895 00	\$5,790 00
Miscellaneous taxes.....						321 10
Interest on unfunded debt.....	\$27,193 59			\$7,634 60	854 39	9,031 74
Interest on floating debt.....		\$27,827 69	\$18,989 83			
Interest on funded debt.....					7,611 64	
Total deductions from gross income.....	\$27,193 59	\$27,827 69	\$18,989 83	\$7,634 60	\$11,361 03	\$15,142 84
Net income.....	\$39,987 11	\$41,506 22	\$52,202 38	\$54,421 80	\$21,171 92	\$42,440 49
Miscellaneous additions to surplus.....		334 25	21,247 90	11,369 45	884 25	61,617 88
Miscellaneous deductions from surplus.....	963 55	849 44	12,835 59	4,851 49		1,510 79
Surplus beginning year.....	98,645 59	137,589 15	181,670 18	245,284 87	256,227 63	246,111 82
Dividends.....				50,000 00	50,000 00	50,000 00
Surplus end of year.....	137,589 15	181,670 18	245,284 87	256,227 63	228,283 80	348,659 40
*Injuries and damages.....	167 85	2,554 87	4,152 85	888 31	23,888 22	2,033 81

Passenger revenue shows a gradual growth for each year except 1915 and it will be noted this revenue was \$172,346.24 in 1912 and \$235,248.12 in 1917, an increase of \$62,901.88, or 36.5 per cent. During the same time operating expenses advanced from \$100,062.81 to \$170,881.53, or \$70,818.72, equal to 70.7 per cent.

The testimony and annual reports show that the Stockton Electric Railroad Company leases from the Central California Traction Company certain tracks within the city of Stockton necessary in the rendering of a satisfactory street car service. The lease provides for an annual payment of \$12,500.00; of this amount \$5,790.00 is deducted from the gross income under the caption of "rent for leased roads." The expense of this trackage right is an operating burden and if the property of the Central California Traction Company could not be rented, this applicant would be put to the necessity of building additional tracks, thus incurring increased capital investment; therefore, the sum of \$5,790.00 should be added to the operating expenses, making them, in 1917, \$176,671.53 instead of \$170,881.53, an increase over the year 1912 of \$76,608.72, or 76.5 per cent.

Operating expenses for 1916 as compared with 1917 decreased from \$185,462.08 to \$170,881.53, or \$14,580.55. This radical reduction is accounted for by the payment in 1916 of abnormal injury and damage claims amounting to \$23,082.79, which included a damage judgment of \$18,000. Damage claims for 1915 and 1917 were \$888.31 and \$2,033.81, respectively, while the average of all injury and damage claims over a five-year period (fiscal years 1912-13-14-15 and calendar year 1916) was but \$6,169.33. A deduction of \$18,000.00, representing this judgment claim, should at least be made from the \$185,462.08 of operating expenses for 1916 to secure for comparison purposes the true or approximate expenses; this would leave \$167,462.08 for 1916 as against \$170,881.53 for 1917, or an increase in operating expenses over 1916 of \$3,419.45. Taxes increased from \$11,624.28 in 1916 to \$16,462.14 in 1917, or \$4,837.86. The net operating income as shown by the preceding table (that is, the net operating revenue less taxes) was \$28,973.40 in 1916 and \$53,458.60 in 1917, but, with the damage claim of \$18,000.00 paid in 1916 disregarded, for the purpose of comparison, we find after allowing the \$5,790.00 from leased roads, an operating income of \$41,183.40 in 1916 as against \$47,668.60 in 1917, or an increase of only \$6,485.20.

Applicant prepared, subsequent to the hearing, a statement of its revenues and expenses for the first six months of 1918, showing a total operating revenue of \$125,987.52 and an operating expense, including depreciation, of \$91,676.60, making a net operating revenue of \$34,310.92; after deducting taxes in the sum of \$8,533.71 and

rental of leased roads \$2,895.00, there remains an operating income of \$22,882.21. Assuming that the revenue and expenses for the entire year of 1918 will be in proportion to the first six months there will be an operating income of \$45,764.42.

Applicant deducted from its operating revenue as miscellaneous taxes \$3,247.14 in 1917 and \$1,555.17 for the first six months of 1918 to cover federal income taxes; of these amounts, \$1,777.80 in 1917 and \$1,047.23 in 1918 are properly chargeable to war income taxes under the rule set forth in Decision No. 5889, November 4, 1918, Application No. 3062 of the Western States Gas and Electric Company for authority to increase electric rates. In accord with this principle the amount of federal taxes deducted from operating revenue should be reduced \$1,777.80 in the year 1917, and \$1,047.23 for the six-months period ending June 30, 1918. With these federal war income taxes eliminated from operating expenses, there remain the following operating incomes—for the year 1916 \$41,183.40; for the year 1917 \$49,446.40 and for the year 1918 \$47,858.88 (based on estimate of the first six months). Using these figures, applicant's operating income upon a valuation of \$814,984.44 was 5.05 per cent in 1916; 6.07 per cent in 1917 and 5.87 per cent in 1918 (estimated).

The records show that the property was originally purchased in December, 1891, for \$45,810.00 and consisted of a single track line operated with horse power. Immediately upon the purchase, applicant abandoned the old line and installed a double track narrow-gauge road. Improvements were continually made on the narrow-gauge property until 1906, when the company again rebuilt the entire line, making it standard gauge with heavy rail construction. The total capital investment as of June 30, 1918, was \$814,984.44, the greater part of which was put into the property prior to the close of the year 1906.

From December 1, 1902, to December 31, 1917, applicant accumulated a surplus of \$348,659.40, and in the years 1915 and 1916 paid two dividends of \$50,000.00 each, thus making the income balance (profit) \$448,659.40 for this period of 15 years, an average annual return of \$29,910.62. It will thus be seen that at no time has this applicant secured adequate returns from the property devoted to the public use.

There have been substantial increases in the pay of employees during the past few years and since the exhibits presented at this hearing were prepared, additional increases in wages, averaging 11 per cent, have been granted, effective July 1, 1918.

Notice is directed to the preceding table showing the cost of conducting transportation, which expense consists principally of wages paid conductors and motormen, the total increased from \$65,396.65 in the

year 1915 to \$92,303.25 in the year 1917, or 41.14 per cent. Attention might also be called to the fact that in November, 1918, the Western States Gas and Electric Company, from which source this applicant secures its power, was authorized to increase its electric rates; this further adds to the operating costs of applicant.

Petitioner is unlike many street car companies in California; it has no bonded indebtedness and serves a thriving community with no expensive lines to maintain in sparsely settled territory. It is apparent, however, that under the increased cost of operation the property can not, with a five-cent fare, produce operating expenses, depreciation, taxes and a fair return upon the value of the investment even under the favorable circumstances and a careful and economical management.

Applicant seeks authority to increase its fare to seven cents, with books of tickets of six rides for 30 cents, but this advance has not been justified by petitioner's exhibits or testimony nor by the investigation of our auditing department.

After giving careful consideration to the entire situation, I am of the opinion that the present fare of five cents is unjust and unreasonable and that, under the existing conditions, applicant should be authorized to establish a six-cent fare, which is found to be just and reasonable.

The following form of order is submitted:

ORDER.

The Stockton Electric Railroad Company, having applied under section 63 of the Public Utilities Act for permission to increase its passenger fares, a public hearing having been held, and the Railroad Commission being fully apprised in the premises, it is hereby found as a fact that the existing five-cent fare is unjust, unreasonable and insufficient and that the rate herein established is found to be just and reasonable. Basing this order on the findings of fact which precede,

It is hereby ordered that the Stockton Electric Railroad Company be and the same is hereby authorized to establish within twenty (20) days from the date hereof a fare of six (6¢) cents within the city of Stockton.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-third day of December, 1918.

DECISION No. 6019.

W. B. EWALT ET AL.

vs.

MIDLAND COUNTIES PUBLIC SERVICE CORPORATION.

Case No. 1159.

*Decided December 24, 1918.**Louis Cohen*, for Complainants.*W. A. Sutherland and Murray Bourne*, for Defendant.

BY THE COMMISSION.

OPINION.

This is a proceeding brought by W. B. Ewalt and 125 other residents of that portion of San Luis Obispo County known as the Atascadero Colony, against the Midland Counties Public Service Corporation, in which the complainants ask that the defendant be ordered to supply them with electric service.

A hearing was held before Examiner Encell at Atascadero on December 21, 1917, and Decision No. 5202, issued under date of March 13, 1918, ordered defendant to serve complainants with electric energy within sixty days thereof.

On May 8, 1918, defendant filed a petition asking that the case be reopened, and, in response to this request, a second hearing was held in Atascadero before Examiner Encell on June 20, 1918.

At this hearing defendant submitted testimony to support its contention that it was unable, due to the existing war conditions, to obtain the money necessary for this extension, that great difficulty was being experienced in obtaining materials, that there was imminent danger of a serious shortage of power because of the subnormal rainfall of the previous winter, and, lastly, that defendant had many other prior applications for service for more essential purposes.

In consideration of the abnormal economic conditions obtaining at the time of the second hearing, the commission has seen fit to hold this matter in abeyance until the present. In view of recent developments, to wit, the signing of the armistice on November 11, 1918, and the rapid return of the country to a peace basis since that date, we believe that it is only fair that applicants now receive the electric service for which they have waited so long.

ORDER.

W. B. Ewalt and others having filed with this commission a complaint against the Midland Counties Public Service Corporation, the matter having been decided, the Midland Counties Public Service Corporation having petitioned for a further hearing, the same having been granted,

and the hearing having been held and the commission finding that defendant should now extend its electric distribution lines in that portion of San Luis Obispo County known as the Atascadero Colony,

It is hereby ordered that the defendant, Midland Counties Public Service Corporation, be and the same is hereby ordered within sixty days from the date of this order, to serve with electric energy the persons desiring the same, residing in that portion of San Luis Obispo County known as the Atascadero Colony as delineated in Exhibit "A" attached to the complaint herein, which exhibit is hereby referred to and made a part hereof.

Dated at San Francisco, California, this twenty-fourth day of December, 1918.

DECISION No. 6020.

IN THE MATTER OF THE APPLICATION OF ZELZAH WAREHOUSE COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF CAPITAL STOCK.

Application No. 4231.

Decided December 26, 1918.

Ben F. Gray, for Applicant.

LOVELAND, Commissioner.

OPINION.

Zelzah Warehouse Company asks permission to issue \$15,000.00 par value of its common capital stock.

The record shows that Ennis-Brown Company, engaged in a general produce and brokerage business at Sacramento, has constructed a warehouse at Zelzah, located in the San Fernando Valley, about twenty-five miles from Los Angeles. The warehouse is located on a lot 80 by 150 feet, leased at an annual rental of \$50.00 from Southern Pacific Company. A brick warehouse, 70 by 150 feet, with a 10-foot platform adjacent to the Southern Pacific tracks, has been constructed. It has been equipped. Since October 1, 1918, ranchers have been delivering, for storage and shipment, beans and other commodities to the warehouse.

Ennis-Brown Company has advanced all moneys necessary to construct and equip the warehouse. The amount advanced is reported at approximately \$17,500.00. It has caused to be incorporated on or about September 21, 1918, Zelzah Warehouse Company, with an authorized capital stock of \$15,000.00, divided into 1,500 shares of the par value of \$10.00 each. The warehouse, together with all the equipment, lease and interests therein, are to be transferred to Zelzah Warehouse

Company. The warehouse company intends to sell 5 shares (\$50.00) of its stock at par for cash, and deliver the remainder, 1,495 shares (\$14,950.00) to Ennis-Brown Company, who will accept said 1,495 shares of stock at par, to liquidate part of its advances.

I herewith submit the following form of order:

ORDER.

Zelzah Warehouse Company having applied to the Railroad Commission for permission to issue \$15,000.00 of stock, a public hearing having been held, and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Zelzah Warehouse Company be and it is hereby granted authority to issue at not less than par, \$15,000.00 of its common capital stock, upon the following conditions and not otherwise:

1. Stock in the amount of \$50.00 shall be sold for cash and the proceeds used to pay organization expenses or for working capital.
2. Stock in the amount of \$14,950.00 shall be issued to Ennis-Brown Company upon the execution of a proper deed by said Ennis-Brown Company, transferring the warehouse properties referred to in the petition herein, to Zelzah Warehouse Company, it being understood that Ennis-Brown Company will receive the \$14,950.00 of stock at par in liquidation of advances made by them toward the construction and equipment of the warehouse.
3. Within thirty days after the execution of the instrument of conveyance transferring the property herein referred to, a certified copy of the instrument of conveyance shall be filed with the Railroad Commission by the Zelzah Warehouse Company.
4. The amount of stock herein authorized to be issued to acquire the warehouse properties shall not be considered as a measure of value of said properties before this commission or any other public body for rate-fixing or any purpose other than the transfer herein referred to.
5. Zelzah Warehouse Company shall keep a true and accurate account of the issue of the stock herein authorized and shall on or before the twenty-fifth day of each month, file with the Railroad Commission reports in accordance with the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.
6. The authority herein granted to issue stock shall apply only to such stock as may be issued on or before June 30, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-sixth day of December, 1918.

DECISION No. 6025.

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA FOR AUTHORITY TO PURCHASE THE PROPERTIES AND FRANCHISES OF ONTARIO-UPLAND GAS COMPANY AND TO ISSUE AND SELL BONDS.

Amended Application No. 2972.

IN THE MATTER OF THE APPLICATION OF ONTARIO-UPLAND GAS COMPANY FOR AN ORDER AUTHORIZING IT TO SELL CERTAIN GAS PLANTS AND FRANCHISES TO SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA.

Application No. 2973.

Decided December 26, 1918.

Hunsaker, Britt & Edwards, by LeRoy M. Edwards, for Applicant.

LOVELAND, *Commissioner.*

OPINION.

The above-entitled applications have been consolidated for decision.

In Amended Application No. 2972, filed December 17, 1918, Southern Counties Gas Company of California asks authority to purchase the gas plants, properties and franchises of Ontario-Upland Gas Company under the terms and conditions of the agreement attached to the petition and marked Exhibit "A"; to exercise, when acquired, all franchises now owned by the Ontario-Upland Gas Company and to issue \$108,000.00, par value of its first mortgage $5\frac{1}{2}$ per cent bonds, payable May 1, 1936, at not less than 82 per cent of their face value, plus accrued interest, for the purpose of paying in part for the properties.

In Application No. 2973, Ontario-Upland Gas Company asks authority to sell its properties described in Exhibit "1," attached hereto, to Southern Counties Gas Company of California for the sum of \$135,000.00, plus the cost of extensions and betterments installed between July 1, 1917, and September 1, 1917, and a reasonable value for the materials and supplies on hand September 1, 1917.

Ontario-Upland Gas Company was organized in March, 1909, with an authorized capital stock of \$100,000.00, divided into 100,000 shares of the par value of \$1.00 each. Stock in the amount of \$88,995.00 is reported outstanding. In addition, the company reports outstanding, \$59,000.00 of bonds.

The record shows that Mr. M. R. Thompson, engineer for Southern Counties Gas Company of California, estimates the reproduction cost new of the Ontario-Upland properties as of April 30, 1917, at \$150,026.59. W. J. Hammond, assistant engineer for the Railroad Commission, in the commission's Exhibit "1," estimates the reproduction cost new of the Ontario properties as of April 30, 1917, at \$125,656.00, and the reproduction cost new less depreciation at \$113,000.00. W. J. Hammond's estimate of reproduction cost new is \$24,370.59 less than M. R. Thompson's estimate. The difference of \$24,370.59 is accounted for chiefly by the fact that W. J. Hammond used average prices of materials covering a period of five years, whereas M. R. Thompson applied the prices prevailing January 1, 1917, plus the cost of labor as shown by Southern Counties in similar communities, and taking into consideration the difference in freight rates.

Southern Counties has been operating the Ontario-Upland properties since September 1, 1917, in accordance with the terms of the agreement attached to the amended petition in Application No. 2972, and marked Exhibit "A." The transmission lines of the Southern Counties have been extended and connected with the Ontario-Upland Gas Company's plant. Instead of selling artificial gas of about 600 heat units, the residents of Ontario and Upland are being furnished with natural gas of 1100 to 1200 heat units. There has been no change in the rates and none is contemplated at this time as a result of the transfer of the properties. From September 1, 1917, to November 30, 1918, the gross earnings of the Ontario-Upland properties are reported at \$54,580.79; the expenses at \$31,720.00, leaving a net income of \$22,860.79. During the same period, Southern Counties has expended the sum of \$8,107.71 for the installation of extensions and improvements to the Ontario-Upland Gas Company's properties, such expenditures having been made pursuant to the agreement under which the properties have been operated by the Southern Counties.

In arriving at the purchase price consideration was given to the present condition of the properties, the reproduction cost, the earnings and the possibility of increasing the business through the introduction of natural gas. The price agreed upon appears to me to be somewhat large. I would not be inclined to look with favor upon the consummation of this transaction if Southern Counties intended to capitalize the entire purchase price or insisted that the commission, if ever called upon to establish new rates, accept the purchase price as the proper rate base. To pay in part for the properties and to finance in part the cost of extensions and betterments to the properties since September 1, 1917, Southern Counties asks permission to issue \$108,000.00 of bonds. The difference between the purchase price and

the proceeds realized from the sale of the \$108,000.00 of bonds, will be paid out of the surplus earnings of Southern Counties. As regards rates, Southern Counties expects a proper return on the reasonable value of the properties.

The \$108,000.00 of bonds referred to, are a part of the \$629,000.00 of bonds which Southern Counties asks permission to issue in Application No. 4270, and the authority to issue said \$108,000.00 of bonds will be taken care of in the order in that proceeding.

The properties of Ontario-Upland Gas Company are to be sold and transferred to the Southern Counties free and clear of all encumbrances, indebtedness and liens of every kind and character.

Ontario-Upland Gas Company reports that it is operating under three franchises, (a) a constitutional franchise granted to it under section 19, article 11 of the Constitution of the state of California, as the same existed prior to October 10, 1911, in the cities of Ontario and Upland, (b) a franchise, Ordinance No. 120, granted by the town of Ontario, March 2, 1909, (c) a franchise, Ordinance No. 45, granted by the town of Upland, July 7, 1909. The last two franchises were granted to J. R. Anderson and by him assigned to Ontario-Upland Gas Company. Southern Counties Gas Company of California intends to acquire all of these franchises.

The city of Upland asks the Railroad Commission not to authorize the sale of the properties until Ontario-Upland Gas Company has paid the 2 per cent franchise tax. The testimony shows that the city's claim amounts to approximately \$540.00. It further appears that the Ontario-Upland Gas Company has offered to pay the tax under protest and that the city officials refuse to sign a receipt showing the conditions under which payment was offered. It is to be hoped that the city and the company can come to an agreement in regard to the payment of the tax. If they can not and they conclude to litigate the matter, the amount claimed by the city must be deposited in some bank or trust company, prior to the sale and transfer of the properties, such deposit to be made under escrow agreement satisfactory to both parties. The agreement should provide that if the validity of the 2 per cent franchise tax is upheld, the amount deposited, together with the interest thereon, shall be paid and turned over to the city. If the court should rule against the city's claim, the amount deposited shall be delivered to the company or its assigns.

I herewith submit the following form of order:

ORDER.

Application having been made to the Railroad Commission for an order authorizing the sale of the properties of the Ontario-Upland Gas Company to Southern California Gas Company of California, a public

hearing having been held and the Railroad Commission being of the opinion that these applications should be granted pursuant to the conditions of this order.

It is hereby ordered that Ontario-Upland Gas Company be and it is hereby granted authority to sell, and Southern Counties Gas Company of California to purchase, all of the gas plants, properties and franchises described in Exhibit "1," attached hereto, said sale and purchase to be made pursuant to the terms of the agreement attached to the supplemental petition in Amended Application No. 2972, and marked Exhibit "A."

The authority herein granted is upon the following conditions:

1. Before the authority herein granted shall become effective, Ontario-Upland Gas Company shall file with the Railroad Commission a statement showing that the amount which the city of Upland claims to be due under the franchise granted to the company, together with a statement showing that the amount has been paid, or that there has been executed an escrow agreement showing that the amount claimed by the city has been deposited with some bank or trust company, subject to the condition that if the validity of the franchise tax is upheld, the amount, together with the interest thereon, shall be paid to the city of Upland, or that if the court decides against the city's claim, the amount deposited, together with the interest thereon, be delivered to the company or its assigns.

2. Within sixty days after the date hereof, Southern Counties Gas Company of California shall file with the commission a stipulation duly authorized by its board of directors declaring that Southern Counties Gas Company of California, its successors or assigns, will comply with all the terms and conditions of a franchise, Ordinance No. 120, granted by the town of Ontario, March 2, 1909; a franchise, Ordinance No. 45, granted by the town of Upland, July 7, 1909; and that it will never claim before the Railroad Commission or any court or other public body a value for the rights and privileges granted in said ordinances in excess of the amount actually paid to the town of Ontario and to the town of Upland as the consideration for the grant of such rights and privileges, which amount shall be set forth in the stipulation, and shall have received a supplemental order from the Railroad Commission declaring that such stipulation, in satisfactory form, has been filed with the Railroad Commission.

3. The price at which the properties of the Ontario-Upland Gas Company are authorized to be sold and transferred, shall not be binding upon this commission or any other public body as a measure of value for rate-fixing or for any purpose other than the transfer herein authorized.

4. Within thirty days after the transfer of the properties, Southern Counties Gas Company of California shall submit to the Railroad Commission for approval all of the book entries relative to the purchase of the properties of Ontario-Upland Gas Company.

5. Within thirty days after the execution of an instrument of conveyance, transferring the properties herein referred to, a certified copy of said instrument of conveyance shall be filed with the Railroad Commission by Southern Counties Gas Company of California.

6. The authority herein granted shall apply only to such properties as may be transferred on or before June 30, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-sixth day of December, 1918.

EXHIBIT "1."

The property which Ontario-Upland Gas Company proposes to sell to Southern California Gas Company of California is described in Exhibit "E" attached to Application Number 2973, as follows:

"All those certain lots, pieces and parcels of land situate, lying and being in the town of Ontario, county of San Bernardino and state of California, and particularly described as follows, to-wit:

Lots 1, 2, 3 and 4, in block 134 of the Villa Plats South Side Tract Ontario Colony, as per plat recorded in book 6 of maps, page 11, records of said San Bernardino County.

Also all of the buildings, engines, furnaces, condensers, boilers, generators, shafting, belting, retorts, tanks, compressors, purifiers, pumps, pumping stations, steamholders, gas holders, reservoirs, expansion tanks, gas mains, pipes, tunnels and all other machinery apparatus and fixtures located upon the aforesaid real estate, and all tools used in connection therewith.

Also the entire gas distributing system of pipes, mains and conduits within the streets, alleys and public places, and upon private property within the cities of Ontario and Upland, and in certain unincorporated territory contiguous thereto in the county of San Bernardino, in the state of California, and connected primarily, or at all, with the gas generating and storing plants located upon the real estate hereinbefore described; and all meters, appliances and apparatus connected or used therewith, and all automobiles, horses, wagons and stable equipment, excepting all appliances, meters and supplies carried on and in connection with said plants or distributing system, and which have not been used in the operation of said plants or distributing system.

Also all easements, rights, powers, privileges, franchises, licenses, rights of way and immunities which first party has to lay, repair, maintain, use and/or operate gas pipes, and/or gas pipe lines and appliances connected therewith, and/or to vend artificial gas within the county of San Bernardino, and within the corporate limits of said cities of Ontario and Upland, whether granted by virtue of the charter of the first party or by the constitution of the state of California, or by legislative act, or by virtue of the acts, resolutions and sessions, ordinances, contracts or grants of said municipalities, or county, or by persons, firms or corporations.

Also the following franchise granted by the trustees of the town of Ontario on the second day of March, 1909, to J. R. Anderson, which said ordinance is entitled as follows: "An ordinance Granting a Franchise to Lay Gas Pipes on the Streets and Thoroughfares in the Town of Ontario, California, for the Purpose of Carrying and Distributing Gas for Light, Heat and Power unto J. R. Anderson, and being

Ordinance No. 190 of the then current series of the Ordinances of said Town of Ontario."

Also the following franchise granted by the trustees of the Town of Upland on the 7th day of July, 1909, to J. R. Anderson, which said ordinance is entitled as follows: "An Ordinance Granting a Franchise to Lay Pipes on the Streets and Thoroughfares in the Town of Upland, California, for the Purpose of Carrying and Distributing gas for Light, Heat and Power unto J. R. Anderson, and being Ordinance No. 45 of the then current Series of the Ordinance of said town of Upland."

DECISION No. 6027.

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA FOR AUTHORITY TO ISSUE AND SELL ADDITIONAL BONDS IN THE AMOUNT OF SIX HUNDRED AND TWENTY-NINE THOUSAND DOLLARS.

Application No. 4270.

Decided December 26, 1918.

Hunsaker, Britt & Edwards, by LeRoy M. Edwards, for Applicant.

LOVELAND, Commissioner.

OPINION.

Southern Counties Gas Company of California asks authority to issue \$629,000.00 of its 5½ per cent first mortgage bonds payable May 1, 1936.

The company reports expenditures incurred, or to be incurred, for the installation of extensions and betterments and the acquisition of properties, against which it has issued no bonds, as follows:

Expenditures incurred to November 30, 1918 (Exhibit "D")	26
Expenditures to be incurred for the purchase of the Ontario-Upland Gas Company properties	135,000 00
Improvements to Ontario-Upland properties	8,107 71
Expenditures to be incurred for the installation of extensions and betterments for 13 months ending December 30, 1919 (Exhibit "D")	200,000 00
	\$794,555 97

Under its deed of trust, applicant may issue bonds in an amount equal to 80 per cent of the actual and reasonable cash expenditures made after May 1, 1916, for permanent extensions, enlargements and additions of and to its plant and properties. The deed of trust further provides that the trustee shall not certify any additional bonds unless the net earnings of the company, for the year preceding the date of the request for the certification of bonds, available to pay bond interest, are in excess of one and a half times the interest on the bonds then outstanding plus the interest on the bonds to be certified. Applicant reports that its expenditures and its net earnings have been or will be

such as warrant the issue of \$629,000.00 of bonds under its deed of trust.

In Exhibit "B," applicant reports that from November 1, 1917, to November 30, 1918, it has expended on capital account \$451,241.95. This amount is distributed amongst the various districts as follows:

General	\$19,836 66
Orange County district.....	34,126 07
Whittier district	47,443 26
Pomona district	23,989 52
Monrovia district	14,962 66
Long Beach district.....	295,773 13
Santa Monica Bay district.....	15,110 65
Total	\$451,241 95
Add expenditures prior to November 1, 1917, against which no bonds have been issued.....	206 31
Total	\$451,448 26

In Exhibit "2," applicant reports that approximately 66 per cent of \$451,448.26 has been caused by the necessity to furnish gas for war work directly or indirectly. By far, the largest expenditures have been incurred in connection with the extension of the company's transmission and distribution system in Long Beach, San Pedro and vicinity.

Applicant has agreed to purchase the properties of the Ontario-Upland Gas Company, a matter which is more fully discussed in the decision relating to Applications No. 2972 and No. 2973, for the sum of \$135,000.00. To pay in part for these properties, it intends to issue \$108,000.00 of bonds.

For the 13 months ending December 31, 1919, applicant estimates that it will have to expend for the extension of its system and to take care of the normal growth of its business, the sum of \$200,000.00. To finance part of these expenditures, it asks permission to issue \$160,000.00 of bonds.

As said, applicant asks permission to issue bonds in the amount of \$629,000.00. It has arranged for the sale of \$469,000.00 of these bonds at 82. The record shows that the company has been unsuccessful in obtaining a more favorable price. A proper proportion of the discount on the bonds should and must be amortized annually. The minimum selling price on the remaining \$160,000.00 of bonds will not be determined by the commission at this time. It is the intention of applicant from time to time, as it has incurred expenditures against estimates submitted herein, to file supplemental petitions for permission to sell part or all of the \$160,000.00 of bonds. At the time the commission passes on these supplemental petitions, it will fix the minimum price at which the bonds may be sold.

Applicant reports in Exhibit "A" \$3,094,000.00 of its 5½ per cent bonds outstanding. In addition, it reports outstanding \$400,000.00 of 6 per cent two-year debenture notes payable December 1, 1919; \$166,306.58 of unsecured notes payable to banks and individuals, and \$63,116.36 of accounts payable. The accumulated surplus of the company, as of November 30, 1918, is reported at \$238,003.02. A part of the expenditures incurred on capital account to November 30, 1918, has been financed through the investment of earnings, and a portion through moneys borrowed by the issue of notes and the extension of credit on open account.

Mr. McFarland, secretary of Southern Counties Gas Company of California, testified that he was unable to determine the exact proportion of the company's expenditures on capital account, which may represent surplus earnings invested in property, or which may have been financed through the issue of notes or made possible by having credit extended on open account. The authority herein granted to issue bonds, is based upon the record, showing that certain expenditures on capital account have been or will be incurred. Obviously, applicant at a time when it is selling 5½ per cent bonds at 82, should give serious consideration to the liquidation of its notes and accounts payable before disbursing the proceeds from the bonds for any other purpose, even though under the law it may be permitted to issue bonds to reimburse its treasury because of earnings invested in property.

Through the issue of the bonds, I expect that applicant will materially reduce its notes and accounts payable.

I herewith submit the following form of order:

ORDER.

Southern Counties Gas Company of California having applied to the Railroad Commission for authority to issue \$629,000.00 of bonds, a public hearing having been held and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Southern Counties Gas Company of California be and it is hereby authorized to issue \$629,000.00 of its 5½ per cent first mortgage bonds payable May 1, 1936, upon the following conditions:

1. Bonds in the amount of \$469,000.00 may be sold for cash at not less than 82 per cent of their face value plus accrued interest.
2. Bonds in the amount of \$361,000.00 may be issued to finance in part construction expenditures incurred to November 30, 1918, the

proceeds from the sale of the bonds to be used to reimburse the company's treasury because of surplus earnings invested in property and the payment of notes and accounts payable.

3. Bonds in the amount of \$108,000.00 may be issued and the proceeds derived from the sale thereof used to pay in part for the properties of the Ontario-Upland Gas Company and finance improvements to said properties since September 1, 1917.

4. The sale of \$160,000.00 of bonds, the issue of which is herein authorized, shall be made pursuant to the terms and conditions of a supplemental order or orders issued from time to time by the Railroad Commission in this proceeding.

5. Southern Counties Gas Company of California shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds herein authorized to be issued, and on or before the twenty-fifth day of each month, until all of said bonds have been issued and the proceeds expended, the company shall make verified reports to the Railroad Commission in accordance with the terms and conditions of the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

6. The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

7. The authority herein granted to issue bonds shall apply only to such bonds as may be issued on or before November 30, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-sixth day of December, 1918.

DECISION No. 6029.

IN THE MATTER OF THE APPLICATION OF MOUNT VENICE COMPANY,
A CORPORATION, FOR AN ORDER AUTHORIZING IT TO TRANSFER
TO MARIN MUNICIPAL WATER DISTRICT CERTAIN PROPERTY.

Application No. 4265.

Decided December 27, 1918.

BY THE COMMISSION.

ORDER.

Mount Venice Company, having applied to the Railroad Commission for authority to transfer to Marin Municipal Water District, the following public utility property:

"All water pipes and mains, service connections, waters, hydrants, valves and fixtures composing the distributing system of the party of the first part located

on that certain subdivision of land in the county of Ma-in, state of California, known as Bayside Acres and consisting of all of the above-described real property located in Point San Pedro road, Bay View drive, Main drive, Oak drive, Marine drive and Beach drive, as said streets, roads or highways are laid out and delineated on that certain map entitled: "Map of Bayside Acres," and which was recorded in the office of the County Recorder of the county of Marin, state of California, in Book 3 of Maps, at page 71; together with all of the appurtenances thereunto belonging or in anywise appertaining.

"And also the right of way over, along under, through and across each, all and several of the roads, streets, highways, lanes, avenues and alleyways laid out and delineated upon the map hereinabove referred to, to lay, maintain, repair, remove and conduct water pipes, mains, service connections and other appliances for the delivery, distribution and sale of water."

And Marin Municipal Water District having joined in this application, and it appearing to the Railroad Commission that this is not a case in which a public hearing is necessary,

It is hereby ordered that the application be and it is hereby granted, provided that when a conveyance of the property is made in accordance with this order, a certified copy thereof shall, within fifteen days, be filed with the Railroad Commission.

Dated at San Francisco, California, this twenty-seventh day of December, 1918.

DECISION No. 6030.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION AUTHORIZING IT TO ISSUE, SELL AND DELIVER ITS GENERAL AND REFUNDING MORTGAGE GOLD BONDS TO THE PAR VALUE OF FIVE MILLION DOLLARS, OR ITS FIRST PREFERRED STOCK TO THE PAR VALUE OF FIVE MILLION DOLLARS OR SUCH PORTIONS OF EITHER SECURITY TO THE PAR VALUE OF FIVE MILLION DOLLARS AS THE COMPANY MAY ELECT TO ISSUE AND SELL, AND TO USE THE PROCEEDS FROM THE SALE OF SAID BONDS AND STOCK IN THE MANNER AND FOR THE PURPOSES DESCRIBED HEREIN.

Application No. 4012.

Decided December 27, 1918.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Pacific Gas and Electric Company having reported to the Railroad Commission that it has issued and sold \$3,500,000.00 of bonds pursuant to the terms and conditions of the order in Decision No. 5882, dated October 31, 1918, and having filed with the Railroad Commission a supplemental petition wherein it asks the commission to modify said order so as to permit the company to issue on or before June 30, 1919, \$1,500,000.00 of its 6 per cent first preferred stock or \$1,500,000.00 of

its 5 per cent general and refunding mortgage bonds, payable January 1, 1942, or such portions of either of said bonds or stock as it may elect to issue to the aggregate par value of \$1,500,000.00; now, therefore,

It is hereby ordered that the order in Decision No. 5882, dated October 31, 1918, be and it is hereby amended so as to permit Pacific Gas and Electric Company to issue on or before June 30, 1919, \$1,500,000.00 of its 6 per cent first preferred stock at not less than \$87.50 in cash or \$1,500,000.00 of its 5 per cent general and refunding mortgage bonds, payable January 1, 1942, at not less than 85 per cent of their face value, plus accrued interest or such portions of either of said stock or bonds as applicant may elect to issue to the aggregate par value of \$1,500,000.00.

It is hereby further ordered that the order in Decision No. 5882, dated October 31, 1918, shall remain in full force and effect except as modified by this first supplemental order.

Dated at San Francisco, California, this twenty-seventh day of December, 1918.

DECISION No. 6031.

IN THE MATTER OF THE REORGANIZATION OF NORTHERN ELECTRIC RAILWAY COMPANY, NORTHERN ELECTRIC COMPANY, NORTHERN ELECTRIC RAILWAY COMPANY—MARYSVILLE AND COLUSA BRANCH, AND SACRAMENTO AND WOODLAND RAILROAD COMPANY, AND OF THE APPLICATION FOR AUTHORITY TO TRANSFER THE PROPERTIES OF THE LAST MENTIONED CORPORATIONS TO A NEW CORPORATION AND FOR PERMISSION TO ISSUE STOCKS AND BONDS OF SAID NEW CORPORATION.

Application No. 1933.

Decided December 27, 1918.

Sidney M. Ehrman, for Applicant.

EDGERTON, *Commissioner.*

FIRST SUPPLEMENTAL OPINION.

Sacramento Northern Railroad asks authority to use moneys realized from its Class "A" bonds to pay and satisfy indebtedness and mortgages of Northern Realty Company and pay reorganization and foreclosure expenses.

The record shows that through foreclosure proceedings Sacramento Northern Railroad has acquired the properties of Northern Electric Railway Company et al. referred to in Decision No. 5432, dated May 25, 1918. Among the properties so acquired is the outstanding stock (\$75,500.00) of Northern Realty Company. Part of the properties of the realty company are used by the railroad for operative purposes.

In its report of November 1, 1916, filed as the Railroad Commission's Exhibit No. 4, in the above-entitled matter, the engineering department of the commission valued the operative properties of the Northern Realty Company at \$195,302.00 and the nonoperative properties at \$249,724.00. On February 14, 1914, and on September 22, 1914, Northern Realty Company executed mortgages to secure the payment of indebtedness due the Sloss Securities Company. The balance due the Sloss Securities Company is reported at \$273,181.70. The petition herein shows that actions have been commenced to foreclose the mortgages. In Exhibit "1" attached to the petition is outlined a proposed settlement between Sacramento Northern Railroad, the holder of the stock of Northern Realty Company, and the Sloss Securities Company. Under the terms of this settlement the railroad will pay to the securities company \$137,500.00 in cash, cause the realty company to convey to the securities company the properties described in Exhibit "A" attached to Exhibit "1," such conveyance to be subject to the encumbrances and leases referred to therein and subject to the lien of the taxes for the fiscal year 1918-19, and to cause the realty company to transfer its right, title and interest to \$75,000.00 of Northern Electric Railway Company bonds to the Securities company. The Sloss Securities Company in turn agrees to accept the cash, properties and bonds in full payment, satisfaction and discharge of all indebtedness, obligations, claims or demands of any kind or nature whatsoever, due or owing from said Northern Realty Company to Sloss Securities Company, agrees to assume the payment of the encumbrances on the properties to be transferred to it and cause the Union Trust Company of San Francisco to dismiss the action to foreclose the mortgages.

The properties to be retained by the Northern Realty Company were, according to the testimony of George F. Detrick, president of the Sacramento Northern Railroad, appraised by the commission's engineering department at \$263,000.00. These properties are subject to a mortgage indebtedness of \$76,250.00. This indebtedness Sacramento Northern Railroad intends to pay. Most of the properties retained by the realty company are used by the railroad in its operation.

The lien of the deed of trust of the railroad covers the \$75,500.00 of Northern Realty Company stock. The record shows that the \$75,500.00 of stock of Northern Realty Company has not been actually delivered to the trustee. This stock should forthwith be deposited with the trustee as required in the deed of trust.

Sacramento Northern Railroad also asks permission to expend moneys realized from Class "A" bonds to pay reorganization and foreclosure expenses aggregating \$438,017.39. The amount represents expenses

incurred to date. For the purpose of paying the \$438,017.39 and additional expenses which may arise out of the reorganization, I believe that the company should be permitted to expend an amount not exceeding \$440,000.00.

I herewith submit the following form of order:

THIRD SUPPLEMENTAL ORDER.

Sacramento Northern Railroad having applied to the Railroad Commission for authority to expend proceeds from the sale of Class "A" bonds, a hearing having been held and the commission being of the opinion that the request should be granted,

It is hereby ordered that Sacramento Northern Railroad be and it is hereby granted authority to expend \$653,750.00 of the proceeds realized from the sale of its Class "A" bonds for the following purposes:

- | | |
|--|--------------|
| (a) To pay reorganization and foreclosure expenses referred to in the statement filed with the commission on November 25, 1918 ----- | \$440,000 00 |
| (b) To effect a settlement with Sloss Securities Company, as outlined in Exhibit "I," attached to the supplemental petition herein ----- | 137,500 00 |
| (c) To pay and discharge mortgage indebtedness of Northern Realty Company referred to in the supplemental petition herein ----- | 76,250 00 |

The authority herein granted to Sacramento Northern Railroad to expend \$213,750.00 to effect a settlement between Northern Realty Company and Sloss Securities Company, and pay mortgage indebtedness of Northern Realty Company is upon the condition that Northern Realty Company will not transfer or encumber any of its properties without the consent of the Railroad Commission, and upon the further condition that Northern Realty Company file semiannual verified financial statements showing its assets and liabilities as of December 31 and June 30 of each year, and its revenues and expenses for the six month period ending December 31 and June 30 of each year, such financial statement to be filed on or before January 30 and July 30 of each year.

Within ninety days after the date hereof, Sacramento Northern Railroad shall file with the commission a verified report showing to what extent and in what manner it has exercised the authority herein granted.

The foregoing first supplemental and third supplemental order are hereby approved and ordered filed as the first supplemental opinion and third supplemental order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-seventh day of December, 1918.

DECISION No. 6032.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF CALIFORNIA AUTHORIZING IT TO ISSUE, SELL AND DELIVER ITS FIRST PREFERRED STOCK OF THE PAR VALUE OF TWO MILLION FIVE HUNDRED THOUSAND DOLLARS, AND TO USE THE PROCEEDS FROM THE SALE OF SAID FIRST PREFERRED STOCK IN THE MANNER AND FOR THE PURPOSES DESCRIBED HEREIN.

Application No. 1994.*Decided December 27, 1918.*

BY THE COMMISSION.

THIRD SUPPLEMENTAL ORDER.

Good cause appearing.

It is hereby ordered that Pacific Gas and Electric Company may and it is hereby authorized to sell on or before June 30, 1919, for not less than \$87.50 per share in cash, its first preferred stock authorized to be issued in Decision No. 3023, dated January 3, 1916 (Vol. 9, Opinions and Orders of the Railroad Commission of California, page 9).

It is hereby further ordered that the order in Decision No. 3023, dated January 3, 1916, as amended by orders in this proceeding and the order in Application No. 4012, shall remain in full force and effect except as modified by this third supplemental order.

Dated at San Francisco, California, this twenty-seventh day of December, 1918.

DECISION No. 6033.

COUNTY OF CONTRA COSTA

vs.

OAKLAND, ANTIOCH AND EASTERN RAILWAY COMPANY, A CORPORATION.

Case No. 1281.*Decided December 27, 1918.*

Thos. D. Johnston, district attorney of Contra Costa County, for complainant.
H. A. Mitchell, for Defendant.

GORDON, Commissioner.

OPINION.

In this proceeding, filed November 23, 1918, the county of Contra Costa asks permission to abandon two public grade crossings, to open one private crossing as a public crossing and to continue an existing private crossing, across the tracks of the Oakland, Antioch and Eastern

Railway. Although this matter has been initiated in the form of a complaint, it is, to all intent and purpose, a formal application, and it was so considered at the hearing, which was held at Martinez on December 24, 1918.

The crossings covered by this case are situated on the old county road near Ohmer Station, between Concord and Bay Point. The crossing nearest Bay Point is lettered "A" on the map accompanying the application and is a public crossing on the old highway. The next crossing south is marked "B" and it has been a private crossing in the past. The next crossing south is at Ohmer Station and is marked "C" on the map. This crossing has also been a private crossing. The last crossing south and toward Concord is marked "D" and is a public crossing on the old county road, which crosses again at "A," the crossing first mentioned.

A new concrete county highway was built through this section recently and instead of crossing the railway at "A" and "D," it was kept entirely on the west side of the railway; hence, the county asks that these two crossings be abandoned.

It appears from the testimony that this section of the old county road was never deeded to the county, but has become a public road through use. The county has never officially abandoned this piece of road, although the ranch owner of the property adjacent to it has proceeded to built fences across the road and plow it up, since the new highway has been put into use.

There is no reason why the crossings at "A" and "D" should not be closed as public crossings, but I believe that the crossing at "D" should be equipped with gates and continued as a private crossing for the benefit of the ranchers on the property adjacent to it.

The crossing at "B," which has been a private crossing, will be necessary as a public crossing to those people traveling the Willow Pass road to Antioch, which used to join the old county road near this point. Unless crossing "B" is opened, the Willow Pass road will have no means of reaching the new concrete highway, as the old county road crossing to the north at "A" will be abandoned. I recommend, therefore, that the part of the petition referring to this crossing be also granted.

The crossing at "C," which the county has asked to have continued as a private crossing, is the only part of the complaint on which an agreement could not be reached, as the Oakland, Antioch and Eastern Railway petitioned that this crossing be either closed or an overhead crossing be established, on account of its dangerous character, caused by the steep incline from the highway on the west side to the railroad track, which runs through a very deep cut at this point.

Under ordinary conditions, this commission would have no jurisdiction over this portion of the complaint, but it appears that the station of Ohmer on the railway is situated at this crossing and that passengers boarding or alighting from the trains at this point can use this crossing as a public crossing, in order to get to the highway, as at the present time the crossing is open and without the customary gates. The county officials do not feel that they would be justified in spending money for an overhead crossing at this point.

The status of this crossing could be cleared up if the station building were moved to the west side of the track, as in that case it would not be necessary for the public to cross the tracks at all and the crossing could be continued as a private crossing with a gate on the east side of the track, for the convenience of the owner of the adjacent ranch.

Summing up, I recommend (1) that crossings "A" and "D" be closed to public travel, but that crossing "D" be equipped with gates and retained as a private crossing; (2) that crossing "B" be opened to public travel; (3) that the station at crossing "C" be moved to the west side of the track and that the crossing be equipped with a gate on the east side of the track, thereby making it a private crossing.

I recommend the following form of order:

ORDER.

The county of Contra Costa having, in this proceeding, requested permission of the commission to close two public crossings, to change a private crossing to a public crossing and to continue another private crossing as a private crossing, all of which are over the tracks of the Oakland, Antioch and Eastern Railway near Ohmer, Contra Costa County, California; a public hearing having been held and the commission having been fully apprised in the premises,

It is hereby ordered, (1) That the county of Contra Costa be and the same is hereby granted permission to close the two public crossings, shown at "A" and "D" on the map accompanying the petition, provided the crossing at "D" be equipped with gates and continued as a private crossing; (2) that the crossing marked "B" on said map be opened as a public crossing; (3) that the crossing at "C" on said map be continued as a private crossing and equipped with a gate on the east side of the track; (4) the station building at this point "B" shall be moved to the west side of the track, the cost of moving same to be borne by the Oakland, Antioch and Eastern Railway.

The crossing at "B" shall be constructed subject to the following conditions, viz.:

(1) The entire expense of constructing the crossing, together with the cost of its maintenance thereafter in good and first-class condition for the safe and convenient use of the public, shall be borne by appli-

cant, except for that portion between the rails and two (2) feet outside thereof, which shall be borne by the Oakland, Antioch and Eastern Railway.

(2) The crossing shall be constructed of a width of not less than twenty-four (24) feet, with grades of approach not exceeding six (6) per cent; shall be protected by a suitable crossing sign and shall in every way be made safe for the passage thereover of vehicles and other road traffic.

(3) The commission reserves the right to make such further orders relative to the location, construction, operation, maintenance and protection of said crossing as to it may seem right and proper, and to revoke its permission if, in its judgment, the public convenience and necessity demand such action.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-seventh day of December, 1918.

DECISION No. 6034.

IN THE MATTER OF THE APPLICATION OF SUTTER-BUTTE CANAL COMPANY, A CORPORATION, FOR PERMISSION TO SELL REFUNDING SIX PER CENT SINKING FUND GOLD BONDS HAVING A FACE VALUE OF EIGHT HUNDRED THOUSAND DOLLARS.

Application No. 4272.

Decided December 28, 1918.

Corbet & Selby, for Applicant.

DEVLIN, Commissioner.

OPINION.

Sutter-Butte Canal Company asks authority to execute a trust deed to secure the payment of \$800,000.00 face value of first refunding 6 per cent sinking fund twenty-year gold bonds due March 1, 1939, and issue said bonds for the purposes hereinafter indicated.

Applicant reports as of October 31, 1918, the following interest bearing indebtedness:

Butte County Canal Company 5 per cent bonds, due October 1, 1929	\$11,500 00
Sutter-Butte Canal Company 6 per cent bonds due March 1, 1931	350,000 00
Three-year 6 per cent notes, maturing from January 1, 1919, to December 1, 1919	208,000 00
Notes secured by mortgages on real estate:	
(a) The Rideout-Smith National Bank, 7 per cent	4,000 00
(b) Gridley Agency, The Rideout Bank, 7 per cent	15,000 00
(c) Gridley Agency, The Rideout Bank, 6 per cent	5,500 00
(d) Sacramento Valley Bank, 6 per cent	2,067 84

Other notes payable:

(c) The Crocker National Bank, 6 per cent.....	\$15,000 00
(f) John S. Cook & Company, Bankers, 7 per cent.....	20,000 00
(g) Florence Johnson, 7 per cent.....	15,000 00
(h) Gridley Land and Irrigation Company, 6 per cent.....	8,000 00

Total interest-bearing debt\$654,067 84

The testimony shows that applicant has paid no interest on its \$208,000.00 face value of three-year notes. The accrued interest on these notes if not paid or refunded prior to maturity will amount to \$37,440.00. Since the three-year notes have been issued the earnings of the company have been more than adequate to pay the interest on the notes. The holders have not insisted upon the payment of the interest and have permitted the company to invest in extensions and betterments, the moneys ordinarily used to pay interest. Under these circumstances the issue of bonds to pay and refund the accrued interest on the three-year notes, resolves itself into the question of reimbursing the company's treasury for earnings expended for extensions and betterments. Adding the \$37,440.00 of interest to the principal, \$208,000.00, gives a total of \$245,440.00. The \$245,440.00 applicant intends to refund through the issue of its 6 per cent bonds at par. Obviously if any of the notes are refunded prior to maturity, only the interest accrued to the date the notes are refunded, should be added to the principal, and the amount of bonds issued reduced accordingly.

Applicant desires permission to issue a sufficient amount of its 6 per cent bonds at not less than 95, to pay or refund the \$11,500.00 of Butte Canal Company 5 per cent bonds and the \$350,000.00 of Sutter-Butte Canal Company 6 per cent bonds. It is doubtful whether it is the best interest of the company, at this time, to sell its bonds at 95 to pay or refund the \$350,000.00 of 6 per cent bonds due March 1, 1931. Certainly none of the bonds should be sold at 95, until the company has used its utmost efforts to refund the \$350,000.00 of bonds at par.

Bonds in the amount of \$75,000.00, applicant intends to issue and sell at not less than 85, and use the proceeds for the purpose of financing new construction. Gordon Hall, president of Sutter-Butte Canal Company, testified that he was not able to advise the commission of the exact purposes for which the proceeds from the \$75,000.00 will be expended. For this reason the order herein will permit applicant to sell the \$75,000.00 of bonds forthwith, subject to the condition that the proceeds be deposited in a special fund and expended only for such purposes as the Railroad Commission may authorize in a supplemental order or orders herein. This will enable applicant to sell its bonds if an opportunity presents itself. Attached to the supplemental petition for authority to expend the proceeds from the bonds should

be a statement showing in detail the expenditures incurred or to be incurred which are to be financed through the issue of the \$75,000.00 of bonds.

The remainder of the bonds, approximately \$100,000.00, applicant intends to sell at not less than 85 and use the proceeds to pay short term notes listed on a preceding page. The record shows that the notes were issued to finance the acquisition of property and the construction of extensions and betterments.

For a description of applicant's properties reference is here made to Decision No. 5227, dated March 25, 1918.

Applicant has filed a copy of its proposed deed of trust. The amount of bonds which it may issue under this instrument is limited to \$800,000.00. The trust deed does not appropriate a specific amount of bonds to refund the existing bonded indebtedness of Sutter-Butte Canal Company. The appropriation of bonds for this purpose is, however, covered by the petition herein and will be provided for in the order.

Under the trust deed the company agrees to pay to the trustee on March 1, 1924, and annually thereafter to and including 1939, an amount equal to 2½ per cent of the aggregate amount of bonds then issued and outstanding. In the opinion of counsel these payments are in no way dependent upon the earnings of the company.

I herewith submit the following form of order:

ORDER.

Sutter-Butte Canal Company having applied to the Railroad Commission for authority to execute a trust deed and issue bonds, a public hearing having been held, and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Sutter-Butte Canal Company be and it is hereby authorized to execute a trust deed substantially in the same form as the trust deed filed in this proceeding on December 19, 1918.

It is hereby further ordered that Sutter-Butte Canal Company be and it is hereby granted authority to issue \$800,000.00 face value of its first refunding 6 per cent sinking fund twenty-year gold bonds, payable March 1, 1939.

The authority herein granted is upon the following conditions and not otherwise:

1. Of the bonds herein authorized to be issued, \$245,440.00, or such part of said \$245,440.00 as may be necessary, may be issued at not less than par for the purpose of paying or refunding the \$208,000.00 of three-year notes and the interest accrued thereon, referred to in the foregoing opinion.

2. Approximately \$380,000.00 of the bonds herein authorized to be issued, or such part of said \$380,000.00 as may be necessary, shall be used to pay or refund the \$11,500.00 of Sutter-Butte Canal Company 5 per cent bonds due October 1, 1929, and the \$350,000.00 of Sutter-Butte Canal Company bonds, due March 1, 1931, said \$380,000.00 of bonds to be sold for not less than 95 per cent of their face value, plus accrued interest, in the event that the company is unable to refund at par its present bonded indebtedness through the issue of bonds herein authorized at par.

3. Bonds in the amount of \$75,000.00 herein authorized to be issued, may be sold by applicant for not less than 85 per cent of their face value, plus accrued interest, provided that the proceeds obtained from the sale of the \$75,000.00 of bonds be deposited in a special fund and hereafter expended only for such purposes as the Railroad Commission may authorize in a supplemental order or orders.

4. Approximately \$99,360.00 of bonds herein authorized to be issued, may be sold by applicant for not less than 85 per cent of their face value, plus accrued interest, and the proceeds used to pay all or a part of the following notes:

The Crocker National Bank	\$15,000 00
John S. Cook & Company, Bankers.....	20,000 00
Florence Johnson	15,000 00
Gridley Land and Irrigation Company.....	8,000 00
The Rideout-Smith National Bank.....	4,000 00
Gridley Agency, The Rideout Bank.....	15,000 00
Gridley Agency, The Rideout Bank.....	5,500 00
Sacramento Valley Bank	2,067 84

5. The approval herein given of said trust deed is for the purpose of this proceeding only, and an approval in so far as this commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said trust deed as to such other legal requirements to which said trust deed may be subject.

6. Sutter-Butte Canal Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of bonds herein authorized, and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission stating the sale or sales of said bonds during the preceding month, and the use and application of

such moneys, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

7. The authority herein granted to issue bonds shall not become effective until applicant has paid the fee required by the Public Utilities Act.

8. The authority herein granted shall apply only to such bonds as may be issued on or before December 31, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-eighth day of December, 1918.

DECISION No. 6035.

IN THE MATTER OF THE APPLICATION OF THE RODEO-VALLEJO FERRY COMPANY, A CORPORATION, FOR LEAVE TO ISSUE CAPITAL STOCK.

Application No. 4152.

Decided December 30, 1918.

tum Suden & tum Suden, by Otto tum Suden, for Applicant.

EDGERTON, *Commissioner.*

OPINION.

The Rodeo-Vallejo Ferry Company asks the Railroad Commission to make its order authorizing and approving the issue of \$200,000.00 of capital stock for the purposes herein enumerated.

The Rodeo-Vallejo Ferry Company was incorporated on or about March 23, 1918. The corporation has an authorized stock issue of \$200,000.00, divided into 2,000 shares of \$100.00 each. The corporation is organized to operate ferries and other vessels on the Bay of San Francisco and on rivers tributary thereto; to acquire by purchase or lease lands or wharves; to build, construct and operate ships, yards, ways, wharves and vessels, and to incur a bonded indebtedness in that behalf and to engage in a general shipping, freighting and forwarding business.

Applicant reports that on September 30, 1918, it owned the following assets:

Steamer "Issaquah"	\$80,081 46
Wharves and slips	92,725 17
Furniture and fixtures	156 75
Steamer restaurant	764 72
General equipment and labor account	3,362 52

Franchise and organization account -----	\$3,863 96
Inventory and stores -----	677 84
Insurance, prepaid -----	2,938 30
Advertising, prorated -----	400 00
Notes receivable -----	1,050 00
Cash in bank and on hand -----	958 02
Total -----	\$186,978 74

The record shows that applicant on July 4, 1918, began to operate a ferry between Rodeo and Vallejo. Prior to that date, applicant issued at par \$170,000.00 of stock without authority from the Railroad Commission. The commission is advised that applicant will call in its outstanding stock certificates and issue new certificates pursuant to the authority granted by the commission.

The record shows that applicant has expended \$55,000.00 to purchase the "Issaquah," a ferryboat which it is now operating between Rodeo and Vallejo; \$25,081.46 to bring the boat from Lake Washington to the San Francisco Bay region and refitting and reconstructing the boat so as to be suitable for ferry service; \$50,000.00 to acquire the wharf at Rodeo together with a lease of the Lemon Street wharf at Vallejo; \$42,725.17 to reconstruct the Rodeo wharf and fit it, as well as the Lemon Street wharf at Vallejo, with proper slips, aprons and other appliances. The proceeds from the sale of the stock have been used to acquire and reconstruct the properties just referred to.

Applicant also asks permission to issue at par \$30,000.00 of its common capital stock and use the proceeds to liquidate indebtedness and secure funds to pay in part for an additional ferryboat. The indebtedness which applicant intends to pay from the proceeds of the stock is reported as follows:

Balance due on promissory note to O. K. Klatt -----	\$2,000 00
Anderson Steamboat Company, balance due on construction account -	800 00
Barnes & Tibbets, dry dock charges -----	1,307 78
George E. Billings, insurance -----	1,700 00
Duncan, Barretson & Company, balance due on wharf construction	2,006 73
Total -----	\$7,814 51

The testimony shows that applicant will have no difficulty in disposing of the entire \$30,000.00 of stock at par. The balance remaining after the payment of the foregoing indebtedness should be deposited in a special fund and expended only for such purposes as the Railroad Commission may authorize in a supplemental order.

I herewith submit the following form of order:

ORDER.

The Rodeo-Vallejo Ferry Company having applied to the Railroad Commission for authority to issue \$200,000.00 of capital stock at par, a public hearing having been held, and the Railroad Commission

being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income.

It is hereby ordered that The Rodeo-Vallejo Ferry Company be and it is hereby granted authority to issue, at not less than par, \$200,000.00 of its common capital stock upon the following conditions and not otherwise:

1. Stock in the amount of \$170,000.00 may be issued in lieu of the \$170,000.00 of stock heretofore issued without an order from the Railroad Commission provided that prior to the issue of the stock herein authorized, applicant will call in and cancel all stock certificates issued without an order from the Railroad Commission.

2. The proceeds from the sale of \$7,814.51 of stock may be expended for the payment of the following indebtedness:

Balance due on promissory note to O. K. Klatt	\$2,000 00
Anderson Steamboat Company, balance due on construction account ..	800 00
Barnes & Tibbets, dry dock charges	1,307 78
George E. Billings, insurance	1,700 00
Duncan, Barrelson & Company, balance due on wharf construction ..	2,006 73
Total	\$7,814 51

3. Any proceeds remaining after the payment of the foregoing indebtedness shall be deposited in a special fund and expended only for such purposes as the Railroad Commission may hereafter authorize in a supplemental order or orders.

4. The Rodeo-Vallejo Ferry Company shall keep a true and accurate record of the issue of the stock herein authorized and shall on or before the twenty-fifth day of each month until all of said stock has been issued and the proceeds expended, file with the Railroad Commission a verified report as required by the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted shall apply only to such stock as may be issued on or before June 30, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this thirtieth day of December, 1918.

DECISION No. 6036.

EDWARD J. COSTELLO, JR.,

vs.

LOS VERJELS LAND AND WATER COMPANY.

Case No. 1252.

*Decided December 30, 1918.**Edward J. Costello, Jr., in propria persona.**V. T. McGillicuddy and F. M. Turner, for Los Verjels Land and Water Company.**GORDON, Commissioner.***OPINION.**

This is a proceeding brought by Edward J. Costello, Jr., a user of water from the irrigation system of defendant. The complaint alleges, in effect, that defendant is not exercising due care in the operation or maintenance of the irrigating system; that through neglect, water is wasted from the reservoir; that the ditches, flumes and siphons which deliver water to the consumers are in such bad state of repair that water is wasted and an insufficient quantity delivered for the irrigation of the lands using water. Complainant asks that defendant be directed to remedy the causes for complaint and to render efficient service.

In its answer, defendant admits that because of negligence on the part of its local representative, water was wasted during the past season from the reservoir; that the ditch system is dilapidated and in need of extensive repairs but that because of the lack of funds and difficulty in obtaining labor and material, repairs were delayed.

Defendant owns and operates a small irrigation system in Yuba County, in the vicinity of Bangor, and delivers water for the irrigation of some 260 acres of land planted to olives, citrus and deciduous fruits and miscellaneous crops. The ditch system was originally constructed to deliver water for mining purposes and was purchased by defendant, who constructed a dam to impound the waters from Dry Creek.

Defendant was organized as a land company and acquired and operated the water system as a part of its realty project. In order to attract settlers and purchasers of land, defendant contracted to deliver water and to waive payment of any part of the purchase price of the land for five years. Because of conditions due to the war, sales of land practically ceased and defendant now finds itself without revenue and obligated to deliver water. Stock assessments have been levied to meet the cost of operation and maintenance. I can not

censure too strongly some of the unbusinesslike methods, which it is obvious are conducive of inefficient operation. Defendant's credit has been seriously impaired and delay in the payment of operating expenses makes it almost impossible to secure necessary labor and material. The evidence shows that the flumes and pipes are in such dilapidated condition that a large part of the water delivered from the impounding reservoir is lost before reaching the area irrigated. No system of deliveries has been in effect, each consumer taking such amount of water from the ditches as he found available and as in his opinion he could use. No consumer can feel assured that he will receive a sufficient amount of water to irrigate.

I am of the opinion that to give good service and deliver a sufficient quantity of water, so that the irrigators may feel assured that a crop can be produced, it will be necessary to repair or replace practically every flume on the system and I shall recommend that defendant be directed to file plans and specifications for these improvements, also rules and regulations providing, among other things, for a schedule of deliveries.

I submit the following form of order:

ORDER.

A public hearing having been held in the above-entitled proceeding, the matter having been submitted and being now ready for decision,

It is hereby ordered that Los Verjels Land and Water Company be and it is hereby directed to file with the Railroad Commission of the state of California, for its approval, plans and specifications for the improvement of its water plant within twenty days from the date of this order.

It is further ordered that upon the approval of said plans and specifications, Los Verjels Land and Water Company shall proceed without delay to construct and repair its system, as provided in the approved plans and specifications, and shall complete such construction and improvements on or before May 1, 1919.

It is further ordered that Los Verjels Land and Water Company file for approval by the Railroad Commission, rules and regulations providing for adequate supervision and a satisfactory schedule of deliveries of water by said company, which rules and regulations it is directed to put in effect as corrected and amended by the commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this thirtieth day of December, 1918.

DECISION No. 6037.

IN THE MATTER OF THE JOINT APPLICATION OF THE SOUTHERN SIERRAS POWER COMPANY AND THE HOLTON POWER COMPANY FOR AUTHORITY TO INCREASE RATES FOR ELECTRICITY.

Application No. 3910.

Decided December 30, 1918.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

Whereas it was the purpose and intent of this commission in its Decision No. 6013, dated December 23, 1918, to authorize Holton Power Company to charge and collect certain surcharges for electric energy sold, in the same manner and to the same extent as therein authorized to the Southern Sierras Power Company; and

Whereas such authorization to Holton Power Company was inadvertently omitted from said Decision No. 6013.

It is hereby ordered that the fourth section of the order in Decision No. 6013, commencing as follows:

"It is hereby further ordered that Southern Sierras Power Company be and the same is hereby authorized to charge and collect for energy sold * * * ."

be amended to read as follows:

"It is hereby further ordered that Southern Sierras Power Company and Holton Power Company be and the same are hereby authorized to charge and collect for energy sold * * * ,"

And whereas the modifications of Holton Power Company's Schedule No. "C" ordered in the original Decision No. 6013 also applies to Schedule "N" of Southern Sierras Power Company,

It is hereby further ordered that Southern Sierras Power Company shall make the following change in its rate Schedule "N" on file with the commission, such change to become effective for all bills rendered for meter readings taken on and after January 2, 1919; to wit:

Schedule "N" of Southern Sierras Power Company shall be refiled revising terms and conditions to read:

"This schedule shall be applicable to seasonal loads such as ice and refrigerating plants, cotton mills and gins, in which case the guarantee may be made for the operating period of not less than six (6) consecutive months in each calendar year, to be specified in advance, after which service may be discontinued and no guarantee will be exacted while so disconnected."

Dated at San Francisco, California, this thirtieth day of December, 1918.

DECISION No. 6039.

IN THE MATTER OF THE APPLICATION OF THE MACLAY RANCHO WATER COMPANY, A CORPORATION, FOR THE AUTHORIZATION OF THE EXECUTION OF THE SUPPLEMENTAL AND AMENDATORY DEED OF TRUST EXTENDING MATURITY DATE OF BONDS.

Application No. 4263.

Decided December 30, 1918.

EDGERTON, *Commissioner.*

OPINION.

Maclay Rancho Water Company asks authority to execute a supplemental and amendatory deed of trust extending the maturity of \$146,500.00 of outstanding bonds to November 1, 1931, and to issue and attach 20 additional interest coupons to said bonds.

Applicant reports that on or about November 1, 1901, it created its 5 per cent bond issue of \$150,000.00. The bonds mature November 1, 1921. Bonds in the amount of \$146,500.00 are outstanding. The petition shows that all of the owners of the bonds have consented in writing to the extension of the maturity of the bonds to November 1, 1931. The petition further shows that the original deed of trust, as amended, is to remain unchanged in all particulars except for the change in the maturity of the bonds and the execution of 20 additional coupons.

I herewith submit the following form of order:

ORDER.

Maclay Rancho Water Company having applied to the Railroad Commission to execute a supplemental and amendatory deed of trust and issue additional interest coupons, a public hearing having been held, and the commission being of the opinion that this application should be granted,

It is hereby ordered that the Maclay Rancho Water Company be and it is hereby authorized to execute a supplemental and amendatory deed of trust in substantially the same form as the supplemental and amendatory deed of trust attached to the petition herein; to extend the maturity date of the outstanding bonds amounting to \$146,500.00, being bonds numbered 1 to 300 inclusive, except bonds numbered 46 to 52, to the first day of November, 1931, and to issue and to attach to said bonds, 20 additional interest coupons numbered 41 to 60 inclusive, in the same form as the coupons at present attached to said bonds, each coupon providing for six months' interest on the bond to which it is attached; the first of said additional coupons

to be made payable on the first day of May, 1922, and each subsequent coupon to be payable six months after the date of the preceding coupon.

The authority herein granted is upon the following conditions:

1. This order shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

2. Within thirty days after the execution of the supplemental and amendatory deed of trust and the issue of the interest coupons, applicant shall file with the Railroad Commission a statement showing to what extent and in what manner it is exercising the authority herein granted.

3. The approval herein given of the supplemental and amendatory deed of trust is for the purpose of this proceeding only and an approval in so far as this commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said supplemental and amendatory deed of trust as to such other legal requirements to which said supplemental and amendatory deed of trust may be subject.

4. Permission to execute a supplemental and amendatory deed of trust and issue additional interest coupons shall apply only to such supplemental and amendatory deed of trust as may be executed and to such interest coupons as may be issued on or before April 1, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this thirtieth day of December, 1918.

DECISION No. 6040.

IN THE MATTER OF THE APPLICATION OF OAKLAND, ANTIOCH AND
EASTERN RAILWAY TO ISSUE CERTAIN NOTES.

Application No. 4258.

Decided December 30, 1918.

Steinhart, McAtee and Levy, by Jesse H. Steinhart, for Applicant.

EDGERTON, *Commissioner.*

OPINION.

Oakland, Antioch and Eastern Railway asks authority to issue notes for a term of one year or less for the purpose of renewing the following notes:

Payee	Date of Issue	Term	Interest rate, per cent	Principal unpaid
A. V. Clarke.....	Jan. 7, 1914	One year	7	\$1,600 00
Pacific Rolling Mill Company.....	Sept. 15, 1914	4 months	6	6,000 00
Palmer & McBryde.....	Nov. 23, 1914	3 months	6	1,947 00
Palmer & McBryde.....	Nov. 23, 1914	3 months	6	2,137 00
Palmer & McBryde.....	Nov. 23, 1914	3 months	6	2,709 38

The payment of the foregoing notes is secured by first mortgage 5 per cent sinking fund 30-year gold bonds of applicant. The number of bonds pledged as collateral appear in the order herein.

The testimony is to the effect that the notes were issued in payment for materials used in the construction of applicant's railroad.

I herewith submit the following form of order:

ORDER.

Oakland, Antioch and Eastern Railway having applied to the Railroad Commission for authority to issue certain notes and to pledge bonds as collateral to secure the payment of the notes, a public hearing having been held, and it appearing to the commission that the money, property or labor to be procured or paid for by the issue of the notes is reasonably required for the purpose or purposes specified in the order, and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Oakland, Antioch and Eastern Railway be and it is hereby granted authority to issue promissory notes to the following payees, at not exceeding the following rates of interest, and for the following amounts:

Payee	Interest, per cent	Principal unpaid
A. V. Clarke.....	7	\$1,600 00
Pacific Rolling Mill Company.....	6	6,000 00
Palmer & McBryde.....	6	1,947 00
Palmer & McBryde.....	6	2,137 00
Palmer & McBryde.....	6	2,709 38

It is hereby further ordered that Oakland, Antioch and Eastern Railway be and it is hereby granted authority to issue and pledge bonds numbered 2885 to 2889 inclusive to secure the payment of the note to be issued to A. V. Clarke; bonds numbered 3323 to 3332 inclusive, to secure the payment of the note to be issued to Pacific Rolling Mill, and bonds numbered 2701 to 2707 and 2755 to 2760 inclusive, to secure the payment of the notes to be issued to Palmer & McBryde.

The authority herein granted is upon the following conditions and not otherwise:

1. The notes herein authorized to be issued shall be made payable during a period not exceeding one year from the date of this order. Applicant may issue the notes herein authorized and issue new notes in renewal thereof for a term less than one year, provided that the aggregate term of notes issued in renewal of the notes now outstanding and the term of any renewal notes issued pursuant to the authority herein granted shall not exceed one year from the date of this order.

2. As the principal of the notes herein authorized is paid off, bonds pledged as collateral shall be released in such an amount so that the face value of the notes shall never be less than approximately 60 per cent of the bonds pledged as collateral to secure the payment thereof. The bonds thus released shall be returned to applicant's treasury and thereafter issued only upon order of this commission.

3. Applicant shall file monthly reports as required by the Railroad Commission's General Order No. 24, said order being made a part of this order, in so far as applicable.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this thirtieth day of December, 1918.

DECISION No. 6044.

IN THE MATTER OF THE APPLICATION OF SUTTER-BUTTE CANAL COMPANY, A CORPORATION, FOR PERMISSION TO SELL REFUNDING SIX PER CENT SINKING FUND GOLD BONDS HAVING A FACE VALUE OF EIGHT HUNDRED THOUSAND DOLLARS.

Application No. 4272.

Decided December 31, 1918.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Sutter-Butte Canal Company having advised the Railroad Commission that it does not at this time desire to issue the bonds authorized by the order in Decision No. 6034, dated December 28, 1918, for the purpose of paying or refunding the \$350,000.00 of 6 per cent Sutter-Butte Canal Company bonds due March 1, 1931; now therefore,

It is hereby ordered that the order in Decision No. 6034, dated December 28, 1918, be and it is hereby amended so as to permit Sutter-Butte Canal Company to issue only \$432,000.00 of its first refunding

6 per cent 20-year gold bonds payable March 1, 1939 (bonds numbered 1 to 432 inclusive), for the purposes and under the conditions set forth in said order, except that none of the \$432,000.00 of bonds shall be used to pay or refund the \$350,000.00 of 6 per cent Sutter-Butte Canal Company bonds due March 1, 1931, it being understood that said \$350,000.00 of bonds will be paid or refunded through the issue, if necessary, of applicant's first refunding 6 per cent 20-year gold bonds payable March 1, 1939, numbered 433 to 800 inclusive, as may be hereafter authorized by the Railroad Commission in a supplemental order or orders in this proceeding.

It is hereby further ordered that the order in Decision No. 6034, dated December 28, 1918, shall remain in full force and effect except as modified by this first supplemental order.

Dated at San Francisco, California, this thirty-first day of December, 1918.

DECISION No. 6045.

IN THE MATTER OF THE APPLICATION OF H. VERNER BRIGHT ET AL. TO SELL AND OF THE CITY WATER COMPANY OF OCEAN PARK, A CORPORATION, TO BUY A CERTAIN WATER PLANT OF THE SAID FIRST NAMED PARTIES.

Application No. 4189.

Decided December 31, 1918.

H. Verner Bright, in propria persona.

C. M. Jones, for City Water Company of Ocean Park.

LOVELAND, Commissioner.

OPINION.

H. Verner Bright, and others, who own and operate the so-called Walgrove Water Works, supplying water to the inhabitants of Walgrove and adjoining tracts, in the city of Venice, and the City Water Company of Ocean Park, a corporation, join in applying for authority to transfer the above mentioned water system to the City Water Company of Ocean Park for the agreed purchase price of \$4,500.00.

Testimony presented at the hearing shows that service will be improved by the transfer to the City Water Company of Ocean Park, which company is at present serving a large portion of the inhabitants of the city of Venice for domestic and irrigation purposes.

An appraisal presented by the commission's engineers shows an estimated present value of the plant in excess of the agreed purchase price. I am of the opinion that public convenience will be conserved

by the transfer of this plant and shall recommend that the application be granted.

I submit the following form of order:

ORDER.

H. Verner Bright, Lillian C. Bright, Fred E. Bright, Mary L. Bright, owners of the Walgrove Water Works, and the City Water Company of Ocean Park, a corporation, having applied for an order authorizing said owners to convey the property hereinafter described, a public hearing having been held and the matter having been submitted and being now ready for decision.

It is hereby ordered that H. Verner Bright, Lillian C. Bright, Fred E. Bright, Mary L. Bright, owners of Walgrove Water Works, are hereby authorized to convey to the City Water Company of Ocean Park the following described property, to wit:

Lot 13, block 5, Walgrove Tract, in the city of Venice, county of Los Angeles, state of California, as recorded in Map Book 7, page 50, of maps, in the office of the county recorder of said county. Together with the water system consisting of pumping plants and all distributing mains, connections, meters, pumps, engines, tools, water rights and good will, and any and all other appliances of every kind and nature belonging to the said water system now located in the Walgrove Tract, in the city of Venice, as recorded in Map Book 7, page 50 of maps in the office of the county recorder. This to include the entire water system and good will of what is known as the Guaranty Realty Company's Water Plant, and all their rights in distributing water in the adjoining tracts immediately surrounding what is known as the Walgrove Tract, for the agreed purchase price of forty-five hundred (\$4,500.00) dollars.

The above authority is given upon the following conditions:

1. Nothing herein contained shall be construed in any proceeding before this commission or any court, tribunal or public body as a finding by this commission of the value of the property authorized to be conveyed, for any purpose other than the purposes of this proceeding.

2. City Water Company of Ocean Park shall assume and discharge all of the obligations to serve the public at any time heretofore resting upon said owners of Walgrove Water Works.

3. The approval of said instruments of conveyance is for the purpose of this proceeding only, and only in so far as this commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said instruments of conveyance as to any other legal requirements to which they may be subject.

4. The authority herein contained shall extend only to such conveyances of real or personal property as shall have been delivered within sixty days from the date hereof.

5. Within ten days after the delivery of any such instrument of conveyance, said owners of Walgrove Water Works shall make a verified written report to the commission of the fact and date of delivery of such conveyance, together with a certified copy thereof and a statement of the disposition of the proceeds of said sale.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this thirty-first day of December, 1918.

DECISION No. 6050.

IN THE MATTER OF THE APPLICATION OF PACIFIC ELECTRIC RAILWAY COMPANY TO MAINTAIN WINTER SCHEDULE OF TRAIN SERVICE ON ITS LOS ANGELES-PLAYA DEL REY-REDONDO LINE.

Application No. 4221.

Decided January 3, 1919.

Frank Karr, for Applicant.

W. W. Phelps, city attorney, *W. L. Doughugh*, city trustee, and *D. P. Guernsey*, city trustee, for the city of Hermosa Beach, Protestant.

LOVELAND, Commissioner.

OPINION.

Applicant in this proceeding has petitioned the Railroad Commission for an order authorizing the establishment of a schedule of twenty-one round trips daily on its Los Angeles-Playa del Rey-Redondo line during the winter months and until the summer travel makes it reasonable and desirable to establish the summer schedule of twenty-seven round trips per day which have heretofore been operated on this line, alleging that the passenger traffic at present offering for the line is not sufficient during the winter months to justify the frequency of service offered by the summer schedule.

A public hearing was held at Los Angeles on December 10, 1918, the matter was duly submitted and is now ready for decision.

On October 28, 1918, the Railroad Commission authorized the Pacific Electric Railway Company to temporarily reduce the operating schedules on a portion of its lines, for the reason that the embargo placed upon normal business activities by reason of the influenza epidemic

had reduced the normal travel in a considerable degree, such authorization, however, being temporary only and to be withdrawn when health officials rescinded the quarantine regulations. The applicant, Pacific Electric Railway Company, alleges that the schedule of twenty-one round trips daily is ample to care for the demands of traffic on this line for the winter season and until the normal increase of travel incident to the summer months is present.

A statement showing passengers carried on this line during the following months indicates the following comparisons:

	1917	1918	Decrease
August	151,069	140,467	11,602
September	117,770	106,290	11,480
October	89,684	70,084	19,600
November	78,032	55,184	22,848

The trains of the Los Angeles-Playa del Rey-Redondo line handle considerable amount of local business within the city of Los Angeles, all of which traffic is reflected in the above comparison. It is evident that the volume of traffic offering during the winter months shows a material decrease from that handled during the summer months and that a considerable decrease in traffic has occurred in 1918 over that enjoyed during the corresponding months of 1917.

A careful analysis of travel sheets filed as an exhibit by the applicant and reflecting the traffic handled during the months of November, 1917 and 1918, does not indicate that any overcrowding of cars has occurred during the month of November, 1918, during which period the reduced service has been effective.

This application is opposed by the city of Hermosa Beach, although no testimony was presented in opposition. The principal objections of the protestant, city of Hermosa Beach, as outlined by the city attorney, are relative to the type of equipment operated over this line as compared to that operated on the Los Angeles-Redondo line, via Gardena, and to the inability of Hermosa Beach patrons to have local service between Hermosa Beach and Redondo, making possible a connection at Redondo with the Los Angeles-Redondo, via Gardena, line. Witness for applicant testified that the present type of equipment now operated on the line was not that which the equipment schedule would provide under normal conditions, but that for the reason that it was extremely difficult to procure repair parts that a considerable number of the larger type of cars were inoperative and the demand for those available in operative condition to supply heavily traveled lines, especially such as were serving shipbuilding plants, was in excess of the number of operative cars available. The applicant claims to have exhausted all its efforts to procure equipment from outside sources and in addition

to have done all possible to procure the necessary equipment with which to keep all its cars in operative condition, and that it is the intention, as soon as the equipment in need of repairs can be restored to operative condition, to withdraw the smaller cars to which objection has been made and to operate the line with cars of a type similar to those now operated on the Los Angeles-Redondo, via Gardena, line. I recommend that all possible effort be made by the applicant herein to restore the larger cars to operative condition and to assign thereafter such complement of cars to this line that will eliminate the objection of patrons to the small type of cars at present assigned to this line.

The desire of the residents of Hermosa Beach for a connecting car to Redondo to connect with the service available on the Los Angeles-Redondo, via Gardena, line is opposed by the applicant on the basis that the jitney service between Redondo and Hermosa Beach renders it impossible for such service to be given for the reason that same would be unprofitable in operation. An offer was made by the counsel for applicant to establish such service provided that the cities of Hermosa Beach and Redondo would prohibit the operation of jitneys now operating between these points. The commission has no jurisdiction over this matter and therefore merely refers to the offer as made which is a portion of the record of the testimony in this proceeding.

After careful consideration of the evidence in this proceeding and of the exhibits filed by applicant, I am of the opinion and find as a fact that the schedule of twenty-one round trips per day now operated by the applicant on its Los Angeles-Playa del Rey-Redondo line in accordance with the provisions of Timetable No. 32 as on file with this commission under effective date October 28, 1918, furnishes reasonable and adequate service to the city of Hermosa Beach and should be continued until such time as the increased traffic incident to the summer months justifies increased service on this line.

Herewith the following form of order.

ORDER.

Pacific Electric Railway Company having applied to this commission for an order authorizing the establishment of a reduced winter schedule on its Los Angeles-Playa del Rey-Redondo line during the winter months and until such time as the increased travel incident to the summer months will justify additional service, a public hearing having been held, the matter having been duly submitted and the commission being fully advised, and basing its order on the finding of fact as contained in the opinion which precedes this order.

It is hereby ordered that this application be and the same hereby is granted, and that the schedule now in effect as covered by Timetable No. 32 as effective October 28, 1918, which provides twenty-one round

trips daily between Los Angeles and Redondo via the Los Angeles-Playa del Rey-Redondo line be continued during the winter months and until such time as the increase of traffic during the summer months warrants additional service on this line.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this third day of January, 1919.

 DECISION No. 6052.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES AND SAN DIEGO BEACH RAILWAY COMPANY TO DISCONTINUE ITS RAILWAY SERVICE, DISMANTLE ITS ROAD AND DISPOSE OF ITS PROPERTY.

 Application No. 4084.

Decided January 10, 1919.

E. Swift Torrance, for Applicant.

Wright & McKee, for the Chamber of Commerce of La Jolla.

John H. McCorkle, for the Chamber of Commerce of San Diego.

M. R. Thorpe, for the city of San Diego.

H. C. Gardiner, for Citizens Club of Pacific Beach and San Diego Beach Company.

James E. Wadham, for Merchants National Bank of San Diego.

Sweet, Stearns & Forward, for the First National Bank of San Diego.

BY THE COMMISSION.

OPINION.

Los Angeles and San Diego Beach Railway Company have petitioned the Railroad Commission for an order authorizing the permanent discontinuance and abandonment of its railway, to take up and dispose of its property, both real and personal, in whole or in parcels, and to apply the proceeds of any and all such sales towards the satisfaction of its obligations.

Public hearings were held by Examiner Handford at San Diego on October 17 and November 25 and 26, 1918, the matter was duly submitted on briefs to be filed by the counsel for applicants and protestants, and is now ready for decision.

The applicant, Los Angeles and San Diego Beach Railway Company, alleged that since 1906 its railway line has been owned and operated, and that for no year during such period have the earnings been sufficient to pay operating expenses, rents, taxes, hire of equipment, interest and depreciation; that for more than five years past the receipts from operation have been insufficient to pay operating expenses, rents, hire of equipment and interest; that during such five-year period the smallest deficit sustained in any one year was \$9,665.32, and that an approximate deficit of \$69,112.76 has been sustained for the entire five-year period.

Applicant further alleges that at the present time it has an opportunity to dispose of its rails, equipment and other personal property at

satisfactory prices, and, that if applicant is permitted to discontinue this service, to dismantle its road, to sell the salvage obtained therefrom, it will be able to pay in full all of its obligations. That on account of the lack of patronage it believes, and therefore alleges, that public convenience and necessity do no longer require or justify continuance of operation.

A complete description of the applicants' railway and the territory served, together with historical data as to the organization, construction and operation of the line, was contained in this commission's Decision No. 1382 in Case No. 131, entitled "In the Matter of Ascertaining the Value of the Property of the Los Angeles and San Diego Beach Railway Company," as decided March 30, 1914, to which reference is hereby made (decisions C. R. C. Vol. 4, p. 525).

The financial condition of the applicant is as follows:

The amount of stock authorized is 20,000 shares, of common stock, of the par value of \$100.00 per share, no preferred stock having been authorized, issued or outstanding.

The amount of stock issued and outstanding is 5,460 fully paid up, and 1,650 shares of common stock, upon which 10 per cent has been paid.

The bond issue, as authorized by this commission by Decision No. 1692 on Application No. 1240 and approved as to form by this commission's Decision No. 2135, covers an issue of bonds in amount \$375,000.00, maturing January 2, 1950; 50 of said bonds being of the par value of \$500.00, and 350 of the par value of \$1,000.00, all bearing interest at the rate of 5½ per cent per annum, secured by a deed of trust executed by the applicant herein to the Southern Trust and Savings Bank of San Diego, under date of December 31, 1914; bonds are outstanding in accordance with the following table:

To whom issued	Number	Amount	Date of issue	Interest	Object of issuance
So. Tr. and Sav. Bank.....	1	\$1,000 00	1/ 2/15	\$55 00	Purchase.
So. Tr. and Sav. Bank.....	1	1,000 00	3/20/15	220 00	Purchase.
Citizens Nat. Bank of L. A.	21	1,000 00	4/28/16	1,320 00	Issued as collateral security and later sold to Isabella Babcock.
Merchants Nat. Bank.....	30	1,000 00	1/29/16	-----	Collateral security.
So. Tr. and Sav. Bank.....	7	1,000 00	2/16/16	-----	Collateral security.
American National Bank...	7	1,000 00	2/18/16	-----	Collateral security.
So. Tr. and Sav. Bank.....	15	1,000 00	11/28/16	-----	Collateral security.
So. Tr. and Sav. Bank.....	1	500 00			
Colo. Fuel and Iron Co....	9	1,000 00	2/17/17	-----	Collateral security.
	98				

The following table shows the outstanding notes of applicant, together with date of issue, amount, date of maturity, rate of interest, in whose favor made, the security given, and the amount of interest paid thereon during the last fiscal year:

Is-ued	Whose favor	Amount	Interest rate (per cent)	Maturity	Security (bonds)	Interest paid
3/15/16	Amer. Nat. Bank.....	\$5,000 00	6	9/15/16	\$7,000	-----
2/16/16	So. Trust and Sav. Bank.....	5,000 00	7	8/15/16	7,000	\$262 50
2/ 2/16	So. Trust and Sav. Bank.....	1,759 75	7	8/ 2/16	-----	61 60
7/20/16	Amer. Nat. Bank.....	1,500 00	7	10/20/16	-----	72 50
7/25/16	Amer. Nat. Bank.....	2,500 00	7	11/25/16	-----	-----
9/25/16	So. Trust and Sav. Bank.....	11,000 00	7	3/25/17	15,500	385 00
10/15/16	Amer. Nat. Bank.....	15,000 00	6	Demand	-----	707 50
5/ 1/17	San Diego Elec. Ry. Co.....	4,000 00	6	5/ 1/18	-----	240 00
11/ 5/14	Merchants Nat. Bank.....	21,000 00	7	2/ 3/15	30,000	-----
2/ 1/17	Colo. Fuel and Iron Co.....	7,393 03	6	2/ 1/18	9,000	-----
2/ 2/17	Amer. Nat. Bank.....	5,762 75	6	5/ 2/17	-----	178 65
11/ 8/17	Amer. Nat. Bank.....	1,483 65	7	1 day	-----	-----
11/ 9/17	Amer. Nat. Bank.....	1,862 40	7	1 day	-----	-----
Totals -----		\$83,261 58			\$68,500	\$1,907 75

The only other obligations of applicant consist of its indebtedness due to Mr. E. S. Babcock in an amount of \$109,209.34, and current outstanding accounts, all of which are unsecured, and upon which no interest has been paid.

No dividends have ever been paid upon the stock herein.

Mr. W. R. Lyon, vice president of the Los Angeles and San Diego Beach Railway Company, testified that the financial condition of the company was such that it was impossible to continue operation; that sufficient patronage resulting in a revenue adequate to meet the operating expenses and fixed charges was not available; that the company was unable, and had been for some time, to negotiate any loans at any of the local banks at San Diego, or from any other source, and that Mr. Babcock, president of the company, had heretofore advanced the company material sums, but was not financially able to make further loans. The credit of the company is exhausted, and, as creditors were pressing for payment of obligations due, the company desired to suspend entirely all operation, to dismantle its road, and to dispose of its rails, equipment and other property to the best possible advantage, to apply the proceeds from the salvage and sale of the material, equipment and personal property to meet the obligations it had incurred.

It was testified that efforts had been made to dispose of the property as a going concern and in operative condition, that such negotiations had been unsuccessful and that there was no possible means by which additional finances could be secured to continue the operation of the line, nor any prospect that the volume of patronage to be accorded by the public would result in revenue sufficient for the continued operation of the line.

A record of the receipts and expenditures for the period from July 1, 1910, to September 30, 1918, is as follows:

Comparative Statement of Operating Results—Los Angeles and San Diego Beach Railway Company.

	Year ending June 30, 1911	Year ending June 30, 1912	Year ending June 30, 1913	Year ending June 30, 1914	Year ending June 30, 1915	Year ending June 30, 1916	Year ending Dec. 31, 1916	Year ending Dec. 31, 1917	Jan. 1, 1918, to Sept. 30, 1918
Operating revenues -----	\$63,304 65	\$76,984 51	\$87,892 97	\$72,959 19	\$71,658 68	\$67,761 31	\$58,008 81	\$44,198 44	\$32,616 64
Operating expenses -----	49,688 92	56,420 71	68,281 00	63,991 60	60,301 36	61,397 79	59,173 09	48,586 15	32,757 05
Net operating revenue -----	\$13,635 73	\$20,563 80	\$19,611 97	\$8,964 59	\$11,357 32	\$6,363 52	\$8,1074 28	\$84,387 71	\$890 41
Taxes -----	1,197 19	3,261 54	3,174 69	4,081 21	3,872 66	3,333 15	2,081 95	3,908 04	
Operating income -----	\$12,438 54	\$17,302 26	\$16,437 28	\$1,883 38	\$7,504 66	\$3,030 37	\$3,156 23	\$88,355 75	\$890 41
Deductions from gross income -----	\$2,112 94	\$2,250 29	\$2,308 84	\$2,521 09	\$1,009 59	\$731 10	\$588 45	\$2,499 55	\$86,499 62
Interest -----	10,197 06	9,864 15	10,233 63	11,727 51	5,011 71	5,290 57	5,926 05	4,490 74	11,314 12
	\$12,310 00	\$12,114 44	\$12,542 53	\$14,248 60	\$6,051 30	\$5,931 67	\$6,514 50	\$6,990 29	\$17,813 74
Net income -----	\$88 54	\$5,187 82	\$3,894 75	\$80,665 22	\$1,453 36	\$2,901 30	\$80,670 73	\$815,286 04	\$817,901 15

*Indicates loss.
†Includes taxes.

This application was contested by the Chamber of Commerce of La Jolla, the Chamber of Commerce of San Diego, the city of San Diego, the Citizens Club of Pacific Beach and the San Diego Beach Company.

The Chamber of Commerce of La Jolla contests the application on the basis that La Jolla, a suburb of San Diego, with a population of approximately 4,500 people, objects to the discontinuance of railroad service between the city of San Diego proper and the suburb known as La Jolla, which is a residential suburb having many attractive residences and at which point is also located the Bishop's School and the Scripps Institute for Biological Research.

The Chamber of Commerce of San Diego, by its attorney, object to the suspension of service and abandonment of line on the basis that the main portion of the city of San Diego would be deprived of railroad connection with La Jolla.

The city of San Diego, through its assistant city attorney, protests against the abandonment of tracks unless arrangements were made whereby tracks now laid in paved or improved streets are removed in a manner satisfactory to the city officials of the city of San Diego and the portion of streets upon which tracks were laid restored to a condition conforming to the balance of the streets upon which tracks have been laid and are to be removed.

The Citizens Club of Pacific Beach and the San Diego Beach Company object to the suspension of service and abandonment of the line for the reason that Pacific Beach and stations intermediate to San Diego will be deprived of all railroad connection.

At the hearing on this application on October 17, 1918, a postponement was requested in order that arrangements might be made for the working out of a plan whereby the northerly portion of the line from La Jolla to Lamont street, Pacific Beach, could be left intact and sold to the company to be formed principally among the residents of La Jolla; it being the intention to make a connection with the Bay Shore Railroad Company and the Point Loma Railroad, thereby furnishing access to San Diego over such route.

This arrangement would require the electrification of the portion of the Los Angeles and San Diego Beach Railway, which was proposed to be retained, and also of the connecting link between Lamont street, Pacific Beach, and the point of connection with the Bay Shore Railroad. Arrangements were made at such hearing whereby the deficit arising from operation for a period of thirty days would be met by certain representatives on behalf of the protestants. At the final hearings on November 25 and 26 no constructive plan was presented and the matter was still under negotiation between the La Jolla protestants, representatives of the Spreckels companies, and the applicants in this proceeding, the necessary amount of funds not having been subscribed nor

had any definite and constructive plan been agreed upon covering the retention of the northerly end of applicants' property and the proposed new construction and revised operation. The commission is of the opinion that the proposed arrangements for the retention of railroad service to La Jolla should not delay the matter of a decision in this proceeding for the reason that if the line is to be abandoned the economical handling of the salvage to be obtained would require that the line be taken up commencing at its most northerly point in order that extra and unnecessary expense might not be imposed upon the applicant.

After careful consideration of all the evidence in this proceeding and of the briefs filed by the attorneys for protestants, we are of the opinion and find as a fact that the revenue derived from the operation of the Los Angeles and San Diego Beach Railway is not sufficient to meet the operating expenses, eliminating entirely the items of interest, taxes or any allowance for interest on any return on investment.

Every economy possible has been exercised by the company, and the commission in several instances has suggested methods and authorized changes in an endeavor to place the property on an operative basis that would at least result in the operating expenses being available from the revenue received, but the patronage which should have been accorded the line has not been forthcoming and at the present time the company finds itself unable to secure further funds from any source with which to continue its service.

We are of the opinion that the application for permission to discontinue railway service on the line between San Diego and La Jolla should be granted and that applicant should be permitted to discontinue permanently its service as a common carrier. Having given this company the right to discontinue operation, the matters of dismantling of the road, restoration of the condition of streets in which tracks are laid and are to be removed, and the disposition of the applicants' property thereafter are not such that fall within the jurisdiction of the Railroad Commission, and the portions of the application requesting authority for dismantling and disposition of property will therefore be dismissed.

ORDER.

Los Angeles and San Diego Beach Railway Company having petitioned the Railroad Commission for an order authorizing the discontinuance of its railway service, the dismantling of its road and the disposition of its property, public hearings having been held, the matter having been duly submitted and the commission being fully advised and basing its order on the finding of fact as set forth in the preceding order,

It is hereby ordered that the application requesting permission to discontinue service be granted and that permanent discontinuance of service may be made after two days notice will have been given the traveling public by posting notices at all stations on the line of applicants' railway.

It is hereby further ordered, for the reasons as appearing in the foregoing opinion, that the portions of the application requesting dismantling of road and disposition of the property of the applicant be and the same hereby are dismissed.

The commission reserves the right to make such other and further orders in this proceeding as to it may seem just and proper or as the public necessity may require.

Dated at San Francisco, California, this tenth day of January, 1919.

DECISION No. 6053.

IN THE MATTER OF THE APPLICATIONS OF ASSOCIATED TERMINALS COMPANY, THE HASLETT WAREHOUSE COMPANY, THE HUTTON WAREHOUSE, PENINSULA WAREHOUSE, SAN FRANCISCO WAREHOUSE COMPANY, SEAWALL U. S. BONDED WAREHOUSE, SOUTH END WAREHOUSE COMPANY, VALLEJO BONDED AND FREE WAREHOUSES, DE PUE WAREHOUSE COMPANY, TURNER-WHITE-TELL WAREHOUSES, NATOMA WAREHOUSES AND LAWRENCE WAREHOUSE COMPANY FOR AUTHORITY TO INCREASE CHARGES FOR HANDLING AND WEIGHING COMMODITIES IN WAREHOUSES AT SAN FRANCISCO, OAKLAND AND SACRAMENTO, CALIFORNIA.

Applications Nos. 3703, 3804, 3711, 3712 and 3736.

Decided January 14, 1919.

It is not the function of the commission to determine what is proper or reasonable labor wage.

C. W. Durbrow, for Applicants.

F. N. Dewey, for the A. P. W. Paper Company.

C. B. Lastretto, for Green Coffee Association of San Francisco Chamber of Commerce.

Victor Lechancy, business agent for Warehouse and Cereal Workers Union.

Henry F. Dimond, for Exporters and Importers Association of San Francisco.

DEVLIN, *Commissioner*.

SECOND SUPPLEMENTAL OPINION.

Applicants herein, by supplemental petition, request authority to make specific increases in the rates charged for the labor furnished in weighing, loading, unloading, repiling and handling commodities into and from warehouses to the extent set forth in the application, such increases to take effect upon one day's notice to the public and filing with the commission. Petitioners also pray for such other and further relief as may be meet and proper in the premises, and for an order

establishing such rates as in the judgment of the commission may be deemed meet, proper, just and reasonable.

The present application is based mainly upon the demand of certain of petitioners' employees for an increase of 50 cents per day in existing wages, which increases had not, up to the time of filing the application, been granted.

The commission deemed the application one which required a public hearing and applicants were directed to give the usual notice. A hearing was accordingly set for November 29, 1918, but on said date was continued to December 2, owing to the fact that sufficient notice had not been given to patrons.

The supplemental petition now before the commission, after reviewing the difficulties experienced by applicant warehousemen in retaining the services of their employees in the face of attractive wages offered in other lines of employment and because of other war conditions, prays that the existing rates for labor furnished be increased as follows:

Unloading and loading cars by from 2½ cents to 11.1 per cent.

Weighing, 7.1 per cent.

Handling into and from warehouse, 11.1 per cent.

The petitioners allege that certain of their warehouse employees recently presented a demand for \$5.00 for an eight-hour day, an increase of \$1.00 per day, or 25 per cent; that said demand was denied by employing warehousemen; that the wage scale was then submitted to the local representative of the United States Food Administration for arbitration; that a settlement was arranged on the basis of \$4.50 for an eight-hour day, or an increase of 12½ per cent over the wages now in effect and that petitioners had agreed to grant such increase of 50 cents per day upon receiving authority from this commission to publish and charge the rates prayed for in this supplemental petition. It is also generally alleged that there have been corresponding increases in other operating costs and that present rates are unreasonably low.

At the outset of the hearing, following a summary of the conditions upon which the petition is predicated, applicants stated, through their attorney, that they considered the demanded wage of \$4.50 for an eight-hour day made by their employees proper pay under existing circumstances. The present wage is \$4.00 for an eight-hour day. In every instance this commission has accepted the wage scale paid by public utilities and it has previously declared that it is not the function of this commission to determine what is a proper or reasonable labor wage. In view of the fact that applicants declare that the wage demanded is just and reasonable, the only matter left to be inquired into in the present proceeding is the question of whether or not applicants' existing

rates would still be just, reasonable and compensatory should the new wage demanded by the employees be granted.

Applicants' Exhibit No. 1 is a statement of revenues and expenses incurred in the handling of merchandise, loading, unloading, weighing and repiling during the months of July, August and September, 1918. This exhibit includes Turner-Whittell Warehouses, The Haslett Warehouse Company, South End Warehouse Company, San Francisco Warehouse Company, Vallejo Bonded and Free Warehouses and Associated Terminals Company and represents 1,500,000 of about 1,875,000 square feet of floor space available for storage at all warehouses covered by the petition. For the three months named the San Francisco Warehouse Company, Associated Terminals Company and Turner-Whittell Warehouses produced a profit in their labor charges, while the other three companies claimed a loss in the performance of this branch of their business. Other exhibits were submitted designed to show the effect of the proposed advance in wages in connection with the increase in rates when applied to the business handled during these three months.

The situation reflected by the exhibits could not be accepted as conclusive by the commission because of the obvious absence of uniformity of accounting methods. Furthermore, the entire presentation by petitioners, including exhibits, was so manifestly based upon the labor situation alone and not upon the warehouse business as a whole, that the commission directed the preparation of additional data showing, in so far as practicable, operating results for 1918. Such statements have been received from four of the warehouse companies, representing 1,300,000 square feet of space out of a total operated by all companies of about 1,875,000 square feet.

The earnings and expenses for the first nine months of the year 1918 are given in the following table and show that during that period the profit earned after paying all operating expenses, including a proportion of administrative and general office expenses and depreciation, as estimated by the companies, was sufficient to yield a substantial return on the amount which the applicants state is invested in the business:

Earnings and Expense Statement, Dealing Only With the Public Utility Portion of the Business.

	The Haslett Warehouse Company	South End Warehouse Company	Associated Terminals Company	San Francisco Warehouse Company
Earnings—				
Storage, handling and weighing	\$376,198 73	\$96,673 13	\$188,320 55	\$159,752 40
Expenses—				
Items directly chargeable to storage, handling and weighing, exclusive of federal war tax	273,622 23	67,934 23	124,992 64	114,552 34
Administrative and general expenses apportioned on the basis of direct labor	45,420 80	8,886 40	13,755 38	
Administrative and general expenses as apportioned by the companies				20,793 84
Total expenses	\$319,043 03	\$76,820 63	\$138,748 02	\$135,346 18
Profit before charging depreciation	57,155 70	19,852 50	49,572 53	24,406 22
Depreciation as estimated by the companies	4,728 68	900 00	7,173 27	1,587 25
Profit after charging depreciation	52,427 02	18,952 50	42,399 26	22,818 97

The commission's original order in this proceeding, dated May 25, 1918 (Decision No. 5724), authorized petitioners to increase certain rates assessed for labor furnished at their warehouses located in San Francisco, Oakland, Sacramento and in Yolo County near the city of Sacramento, such increases ranging from 50 to 80 per cent. Increases then authorized were based upon petitioners' showing that they had on several occasions advanced the wages of their employees to meet the increasing cost of living and labor's consequent demands, such increased wages amounting on May 1, 1918, to a maximum of \$4.00 for a nine-hour day.

A supplemental petition was filed on June 8, 1918, praying for an additional increase of 20 per cent to apply on the charges for unloading, loading, weighing, repiling and handling into and from warehouses commodities offered for storage. The proposed increase was based upon the wage adjustment effected through the efforts of the United States Food Administration following a strike of petitioners' employees, at which time said employees were awarded a wage of \$4.00 for an eight-hour day and 75 cents per hour for overtime, or \$4.75 for a day of nine hours in lieu of \$4.00 for the same number of hours, in effect when the original rate increase was authorized May 25, 1918.

In its first supplemental order (Decision No. 5514), dated June 25, 1918, the commission authorized additional increases, approximating

20 per cent, in the handling charge rates as enumerated in the order, which rates are in effect at the present time.

The following table shows the labor charges in effect on May 24, 1918, those authorized by the commission on May 25, and June 25, 1918, respectively, and the increases proposed under the present proceeding:

Service	Rates			
	May 24, 1918 (Order No. 2)	May 25, 1918 Authorized by Dec. 31, 1917	June 25, 1918 (Dec. 31, 1917)	Proposed rates
Special labor—				
Per hour, per man.....	\$0.50	\$0.75		
Handling charges—				
Per ton	*.25	.45	\$0.54	†\$0.60
Minimum	.15	.25		
Weighing charges—				
Per ton	.25	.35	.42	.45
Minimum	.10	.15		
Loading cars—				
Packages, 150 pounds or less, per ton.....	.25	.30	.36	.40
Packages, over 150 pounds, per ton.....	.32½	.40	.48	.50
Iron, machinery, etc., per hour, per man.....	.50	.75		
Unloading cars—				
Packages, 150 pounds or less, per ton.....	.20	.25	.30	
Packages, over 150 pounds, per ton.....	.20	.32½	.39	.40
Iron, machinery, etc., per hour, per man.....	.50	.75		
Repiling, per ton.....	*.25	.45	.54	†.60

*Approximated average only—ranges from 15 cents to 40 cents.

†Where present rate for this class of service is 75 cents per hour per man, it is proposed to continue such charge, but with a minimum of 60 cents per ton.

It will be observed that the handling charges and charges for repiling, as set forth in the above table, have been increased since May 24, 1918, from 25 cents per ton to 54 cents per ton, or 116 per cent; also that weighing charges have been advanced from 25 cents to 42 cents per ton, an increase of 68 per cent, while for unloading and loading cars the increase varies from 44 to 95 per cent. The rates proposed, if authorized, would further advance the percentages of increase over rates in effect on May 24, 1918, to the following figures: handling 140 per cent, weighing 80 per cent, unloading cars 100 per cent, loading cars 50 to 60 per cent.

At the hearings held in the former proceedings, the greatly increased cost of operating expenses were manifest and the emergency of the situation, which was very acute, did not permit such an analysis as would otherwise have been made, nor to fairly determine the results following the authorized increases, but such study has been made in the present proceeding. The increases in handling charges already authorized, combining those made on May 25 with those authorized June 25, 1918, run from 44 to 116 per cent.

The preceding statement shows that the four applicants, who, in response to our request, prepared statements of income and expenses for the first nine months of the year 1918, which results may be considered typical of all the other companies, have net profits in excess of those secured in previous years and these results obtain, notwithstanding the fact that the low tariff rates were in effect until May 25, 1918. It is, therefore, a fact that because of the large increase in gross business the entire year of 1918 will produce a satisfactory and reasonable net profit even under the higher cost of operation and that it would have been greatly augmented had the increased rates of charges been in effect during the entire period.

The showing made by petitioners as to the cost of performing the service under the rates in question was more or less arbitrarily compiled and failed to demonstrate that the present revenue is inadequate for the service rendered.

The higher rates already authorized have not been given a fair test and in view of the fact that applicants' entire public utility activities produce a handsome profit, I am of the opinion that the rates should not be further increased at this time.

Applicants should inaugurate a more complete segregation of their operating revenues and expenses, in order that the outcome from different branches of their service can be obtained and the net results established without question.

I recommend that this second supplemental petition be denied, and submit the following form of order:

SECOND SUPPLEMENTAL ORDER.

Applicants in the above-entitled proceeding having filed their second supplemental petition herein, as indicated in the opinion which precedes this order, a public hearing having been held and the matter having been submitted,

It is hereby ordered that this second supplemental petition be and the same is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this fourteenth day of January, 1919.

DECISION No. 6061.

IN THE MATTER OF THE APPLICATION OF NORTHWESTERN PACIFIC RAILROAD COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS OF THE FACE VALUE OF THREE MILLION NINE HUNDRED AND FORTY-ONE THOUSAND DOLLARS.

Application No. 4287.

Decided January 15, 1919.

C. W. Durbroor, for Applicant.

EDGERTON, *Commissioner*.

OPINION.

Northwestern Pacific Railroad Company asks authority to issue \$3,941,000.00 of its first and refunding $4\frac{1}{2}$ per cent gold bonds due March 1, 1957, for the purpose of paying \$3,751,000.00 of San Francisco and North Pacific Railway Company 5 per cent bonds due January 1, 1919.

The Southern Pacific Company and The Atchison, Topeka and Santa Fe Railway Company have agreed to purchase the \$3,941,000.00 of bonds at 90.612. Pending the actual issue and delivery of the bonds, the two companies will advance applicant sufficient funds to enable it to pay the \$3,751,000.00 of bonds due January 1, 1919. The advances are to be evidenced by applicant's 6 per cent promissory notes.

The issue of applicant's $4\frac{1}{2}$ per cent bonds at 90.612 results in an effective interest rate of about 5 per cent, the same as the nominal interest rate of the bonds of the San Francisco and North Pacific Railway Company. A. H. Payson, president of the Northwestern Pacific Railroad Company, testified that there was no other practical way to pay and redeem the \$3,751,000.00 of bonds than through funds advanced by the Southern Pacific and the Santa Fe.

Northwestern Pacific Railroad Company has an authorized stock issue of \$35,000,000.00. All of the stock is outstanding. One-half of applicant's outstanding stock is owned by the Southern Pacific Company, the other half by The Atchison, Topeka and Santa Fe Railway Company. On December 31, 1917, Northwestern Pacific Railroad Company reported \$28,665,000.00 of bonds outstanding:

San Francisco and North Pacific Railway Company 5 per cent bonds due January 1, 1919.....	\$3,596,000 00
California Northwestern Railway Company 5 per cent bonds due April 1, 1928.....	929,000 00
Northwestern Pacific Railroad Company, $4\frac{1}{2}$ per cent bonds due March 1, 1957.....	24,140,000 00
Total	\$28,665,000 00

Of the outstanding bonds, the Southern Pacific Company on December 31, 1917, owned \$23,976,000.00 and The Atchison, Topeka and Santa Fe Railway Company \$164,000.00.

The commission in Decision No. 1428, dated April 4, 1914 (Vol. 4, Opinions and Orders of the Railroad Commission of California, p. 751), reviewed the organization and capitalization of Northwestern Pacific Railroad Company.

I herewith submit the following form of order.

ORDER.

Northwestern Pacific Railroad Company having applied to the Railroad Commission for authority to issue \$3,941,000.00 of bonds, a public hearing having been held and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Northwestern Pacific Railroad Company be and it is hereby granted authority to issue \$3,941,000.00 of its first and refunding mortgage $4\frac{1}{2}$ per cent gold bonds due March 1, 1957, at not less than 90.612, and use the proceeds to pay and redeem the \$3,751,000.00 of 5 per cent San Francisco and North Pacific Railway Company bonds due January 1, 1919, or the promissory notes issued to the Southern Pacific Company and The Atchison, Topeka and Santa Fe Railway Company for the purpose of obtaining funds to pay and redeem said \$3,751,000.00 of bonds; provided,

(1) That applicant file with the commission monthly reports as required by the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(2) That applicant pay the fee prescribed by the Public Utilities Act.

(3) That the bonds herein authorized be issued on or before April 30, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this fifteenth day of January, 1919.

DECISION No. 6063.

IN THE MATTER OF THE APPLICATION OF NARBONNE RANCH
WATER COMPANY NO. 2 FOR ORDER AUTHORIZING ISSUE OF
TEN ADDITIONAL SHARES OF STOCK.

Application No. 4099.

Decided January 15, 1919.

J. W. Carrigan, for Applicant.

By THE COMMISSION.

OPINION.

Above applicant asks authority to issue ten shares of its capital stock to certain consumers of domestic and irrigation water served by it in and near Lomita, Los Angeles County.

A public hearing upon the application was held by Examiner Westover at Los Angeles.

Applicant is a corporation with a capital stock of \$3,600.00 divided into 360 shares of the par value of \$10.00 each. It was incorporated by the subdividers of the townsite of Lomita and adjacent lands and all but ten shares of applicant's stock subsequently distributed to purchasers of the subdivided lands in proportion to their holdings, as an incident to their land purchases and without separate consideration for the water stock. The water plant was afterward turned over to the water company for operation. Subsequently additional land was subdivided, the purchasers thereof likewise paying for their water stock with their lands, but without separate consideration therefor.

Water has been furnished to stockholders of applicant at fixed rates and to nonstockholders at double the rates charged to stockholders. Revenue collected, together with certain assessments paid by stockholders, is designed to be and has been about sufficient to cover the cost of operation. Applicant and its consumers have mutually agreed that the discrimination should be eliminated by issuing stock to all consumers not now stockholders and by having all consumers pay the same consideration for water service in rates and assessments. The order will authorize the issue of a total of ten shares of stock to the owners of the 63 lots, for which stock has not heretofore been issued, although indirectly paid for as stated.

Applicant also prays that it be authorized to hereafter operate as a mutual water company. The record herein does not justify such an order at this time or one authorizing applicant to cease to operate as a public utility, and that portion of the application will therefore be denied without prejudice.

ORDER.

Narbonne Ranch Water Company No. 2 having applied to the Railroad Commission for authority to issue ten shares of its capital stock, a

public hearing having been held and the matter being ready for determination.

It is hereby ordered that Narbonne Ranch Water Company No. 2 be and it is hereby authorized and empowered to issue ten shares of its capital stock to the persons and in the respective fractions shown on a list thereof in evidence herein as applicant's Exhibit No. 1.

This order is made upon the following conditions, to wit:

1. On or before the twenty-fifth day of each month until all of said stock has been issued, applicant shall make verified report in writing to the Railroad Commission of the certificates issued, as provided by General Order No. 24, which is hereby made part of this order, so far as it is applicable.

2. This order shall extend only to such certificates as shall be issued within ninety (90) days from the date hereof.

It is hereby further ordered that application for authority to operate as a mutual water company, or to cease to operate as a public utility, be and it is hereby denied without prejudice.

Dated at San Francisco, California, this fifteenth day of January, 1919.

DECISION No. 6065.

IN THE MATTER OF THE APPLICATION OF AMADOR ELECTRIC LIGHT AND POWER COMPANY FOR AN ORDER INCREASING ELECTRIC RATES.

Application No. 4119.

Decided January 15, 1919.

C. P. Cotten and T. J. Ryan, for Applicant.

BY THE COMMISSION.

OPINION.

This is an application of Amador Electric Light and Power Company for an order of the commission modifying its electric rates, made necessary by the increased cost of labor and materials and of current purchased.

A public hearing upon the application was held by Examiner Westover at Jackson.

Applicant purchases electric energy from the Pacific Gas and Electric Company which it distributes and sells for light and power purposes in the towns of Jackson, Sutter Creek, Amador City, Ione, Dry Town and intervening territory, all in Amador County, and for said purpose owns and operates an electric distribution system consisting of twelve miles of high tension electric transmission lines, substations located at

Sutter Creek, Jackson and Ione, and approximately fifty (50) miles of primary and secondary overhead distribution lines.

A valuation was made of the applicant's property by R. M. Vaughan, assistant engineer of the commission's gas and electric division, and submitted in evidence. The total reproduction value of the property was found by him to be \$150,977.00, exclusive of franchises, working capital or any intangible values. Applicant submitted no valuation but alleges in its application that the fair value of its property is in excess of \$150,000.00. It also asks an allowance of \$3,800.00, being two months estimated operating expenses as working capital.

Table I following sets forth the electric operating revenue and expenses for 1917, 1918 and estimate for 1919. In estimating revenue for 1919, we assume an increase in consumption of energy of about 4 per cent due to cessation of hostilities in Europe.

TABLE I.
Amador Electric Light and Power Company Electric Operating Revenue and Expenses.

	1917	1918, Decennial estimated	1919, estimated present rates	1919, estimated new rates
Number of consumers December 31.....	1,187	1,075	1,100	1,100
Operating revenues:				
Street lighting	\$3,981	\$4,014	\$4,025	\$4,428
Commercial lighting	30,396	24,450	25,000	30,500
Power	3,946	3,834	3,850	4,544
Total revenue	\$38,323	\$32,298	\$32,875	\$39,472
Operating expenses:				
Current purchased	\$8,634	\$8,123	\$9,150	\$9,150
Transmission expense	688	740	700	700
Distribution expense	126			
Commercial expense	2,049	2,153	2,100	2,400
General and miscellaneous expense.....	4,268	4,639	6,636	6,630
Repairs	2,805	4,417	3,000	3,000
Insurance	319	349	350	350
Taxes	2,465	2,619	1,950	2,300
Total operating expenses.....	\$26,754	\$23,140	\$24,180	\$24,530
Available for depreciation and return.....	\$17,569	\$9,158	\$8,695	\$14,942
Annual depreciation (estimated).....	4,500	4,500	4,500	4,500
Net available for return.....	\$13,069	\$4,658	\$4,195	\$10,442
Rate of return on \$150,977.00, plus \$3,800.00 working capital	8.45%	3%	2.7%	6.8%

About \$2,000.00 per annum has been expended on the system to bring it to conformity with the requirements of chapter 600, statutes of 1915. This work should be completed during 1919 and operating expenses will be reduced accordingly.

As applicant states in the application, its business is limited almost entirely to supplying electric service to a territory, the population of which is dependent upon the gold mining industry, and is, to that extent, exposed to the hazards and uncertainties attending mining enterprises; that at the present time a serious depression exists in the mines of Amador County, some of which have stopped work, and virtually all of which have been compelled to reduce their operations and curtail their activities, resulting in a reduction of 10 per cent in the number of domestic consumers, and of more than 15 per cent in the quantity of energy sold in its domestic service during the past two years; and that there is no indication that this condition will improve in the immediate future. It is considered temporary, however.

Under all the conditions shown, the rates set forth in the order are just and reasonable.

ORDER.

Amador Electric Light and Power Company having applied to the Railroad Commission for an order fixing electric rates, a public hearing having been held, and the matter having been submitted and being now ready for a decision,

The Railroad Commission hereby finds as a fact that the rates now charged for electric service by applicant are insufficient to provide applicant with an adequate return, and in so far as they differ from the rates herein established are not just and reasonable rates, but that the rates herein established are just and reasonable rates for service under existing conditions.

Basing its order on the foregoing findings of fact and upon the other findings of fact contained in the opinion which precedes this order.

It is hereby ordered that Amador Electric Light and Power Company be and it is hereby authorized to establish and file with the Railroad Commission the following rates for electric service, to be effective for all bills rendered on and after December 31, 1918:

SCHEDULE No. 1.

Residence and Commercial Lighting.

First 30 kilowatt hours per meter per month-----10 cents per kilowatt hour
Next 70 kilowatt hours per meter per month----- 8 cents per kilowatt hour
All over 100 kilowatt hours per meter per month--- 6 cents per kilowatt hour
Minimum bill, \$1.25 net per meter per month.

SCHEDULE No. 2.

Combination Domestic Lighting, Heating and Cooking.

First 20 kilowatt hours per meter per month-----10 cents per kilowatt hour
Next 80 kilowatt hours per meter per month----- 4 cents per kilowatt hour
All over 100 kilowatt hours per meter per month--- 3 cents per kilowatt hour
Minimum charge, 50 cents per kilowatt of installed capacity but not less than \$2.50.

SCHEDULE No. 3.

General Power Service.

First 40 K. W. H. per horsepower per month.....	5 cents per K. W. H.
Next 50 K. W. H. per horsepower per month.....	3 cents per K. W. H.
Next 100 K. W. H. per horsepower per month.....	2 cents per K. W. H.
All over 200 K. W. H. per horsepower per month.....	1½ cents per K. W. H.
Minimum bill, \$1.00 per horsepower of active connected load per month, but not less than \$2.00 per month.	

SCHEDULE No. 4.

General Power Service Where Connected Horsepower Exceeds 49 Horsepower.

First 2,000 kilowatt hours.....	3½ cents per kilowatt hour
Next 4,000 kilowatt hours.....	2½ cents per kilowatt hour
All over 6,000 kilowatt hours.....	1½ cents per kilowatt hour
Minimum bill \$1.00 per horsepower of active connected load per month.	

SCHEDULE No. 5.

Street Lighting Service.

For 40 watt Tungsten lamp, \$1.10 per month, including renewals and maintenance.

Dated at San Francisco, California, this fifteenth day of January, 1919.

DECISION No. 6066.

IN THE MATTER OF THE APPLICATION OF MIDDLE YUBA HYDRO-ELECTRIC POWER COMPANY FOR AN ORDER INCREASING ELECTRIC RATES.

Application No. 4140.

Decided January 16, 1919.

Lloyd P. Larue, for Applicant and for Tightner Mines Company and Mugwump Mines Company.

Scarb & Scarb, by *Carroll Scarb*, for Original Sixteen to One Mine, Incorporated, and Mariposa Mines Association, Incorporated, Protestants.

BY THE COMMISSION.

OPINION.

This is an application of the Middle Yuba Hydroelectric Company for an order of the commission modifying its electric rates, made necessary by the increased cost of operation due to increased cost of labor and materials and also an increased cost of current purchased from the Pacific Gas and Electric Company.

A public hearing on the application was held by Examiner Westover at Grass Valley.

Petitioner purchases all power from the Pacific Gas and Electric Company at the town of Pike, Sierra County, California, transmit same 10½ miles over its own lines to a substation in Alleghany and distribute it to mining companies and other consumers in and near Alleghany and Forest.

Applicant is now serving the following mining companies:

	Connected horsepower
South Fork Mines Company.....	55
Original Sixteen to One Mine.....	135
North Fork Mining Company.....	113
Tightner mines.....	155
Twenty-one Mine.....	30
Durston Mines Company.....	40
Mariposa Mines Company.....	151
Miscellaneous North Fork.....	25
W. F. Copland.....	35
El Dorado.....	30
Mugwump.....	50

Applicant also serves approximately 74 lighting consumers in the towns of Alleghany and Forest.

Mr. R. M. Vaughan, assistant engineer of the commission's gas and electric division, submitted at the hearing an estimated reproduction cost of applicant's property, amounting to \$60,061.00, including rights of way, substations, transmission and distribution lines, but no intangible values. Complete records and vouchers showing actual cost were not available. However, Mr. Vaughan's conclusion very closely approximates applicant's stated cost of \$57,158.02 for the property valued, as shown by Decision No. 5482 of June 12, 1918, but not including \$2,482.00 for its lines to Wisconsin-North Fork and Mugwump mines, both of which were built subsequently. Applicant's history and financing is fully set forth in Decision No. 5482, to which reference is hereby made.

Applicant's gross revenue from electric operation and its operating expenses, exclusive of depreciation, for the year 1917 and six months of 1918, are shown in Table No. I following:

TABLE No. I.

Middle Yuba Hydroelectric Company, Electric Operating Revenue and Expenses.

	First six months, 1917	Last six months, 1917	First six months, 1918
Gross revenue	\$15,598 00	\$13,323 00	\$10,483 00
Electric power purchased.....	\$7,790 00	\$6,239 00	\$5,743 00
Labor	2,111 00	2,947 00	1,633 00
Material and supplies.....	601 00	1,789 00	308 00
Miscellaneous	563 00	794 00	1,014 00
Taxes	545 00	731 00	718 00
Total operating expenses.....	\$11,553 00	\$12,500 00	\$9,416 00
Net revenue for department and return.....	\$4,045 00	\$893 00	\$1,067 00
Investment operative	\$58,000 00	\$60,000 00	\$60,000 00

It will be noted that for the year 1917 the net revenue amounted to \$4,938.00. Deducting 2 per cent for depreciation would leave \$3,737.00 for a return on the investment, or 6.46 per cent. For the period from July 1, 1917, to June 30, 1918, inclusive, the net return for depreciation and return amounts to \$1,960.00, deducting 2 per cent for depreciation, leaves a balance of \$759.00, or a return of 1.27 per cent.

By Decision No. 5519 of June 27, 1918, the commission authorized the Pacific Gas and Electric Company to increase its rates, including those shown by Schedule No. 189, being block schedule covering current for resale and applying to applicant herein. This, with a surcharge of one mill per kilowatt hour added, increases applicant's average cost of energy purchased to 1.24 cents per kilowatt hour. For the months of July, August and September, 1918, under the new rate a deficit of \$937.00 occurred. During the latter three months the company's sales have also materially decreased, aggregating 250,680 kilowatt hours for that period as against 380,280 kilowatt hours for the preceding three months. There appears to be no prospect for any substantial increase in load in the near future. It appears, therefore, that an increase of rates must be granted applicant in order that it may pay operating expenses and earn a return on its reasonable investment. The rates herein fixed are designed to meet the needs for further revenue and equitably apportion the burden of increase in cost to the consumers.

Table No. II sets forth the effect of the increased cost of power, and returns to be expected under the new schedule.

TABLE No. II.
Middle Yuba Hydroelectric Company, Electric Operating Revenue and Expenses.

For year 1918	Six-month period, April to September, Inc.		
	Present schedule*	Present scheduler	New schedule†
Gross revenue	\$9,246 00	\$9,246 00	\$13,772 00
Operating expenses:			
Electric power purchased.....	\$5,048 00	\$7,824 00	\$7,824 00
Labor	1,316 00	1,316 00	1,316 00
Material and supplies.....	404 00	404 00	404 00
Miscellaneous	659 00	659 00	659 00
Taxes	790 00	790 00	826 00
Total operating expenses.....	\$8,217 00	\$10,993 00	\$11,029 00
Net revenue for depreciation and return.....	\$1,029 00	\$2,747 00	\$2,743 00
Investment operative	\$60,061 00	\$60,061 00	\$60,061 00
Rate of annual return.....	3.4%		9%
Less depreciation at 2 per cent per annum.....	1.4%		7%

*Cost of energy, based on former rate of 8 cents per kilowatt hour. Revenue based on applicant's present rate.

†Cost of energy, based on present rate of 1.24 cents per kilowatt hour. Revenue based on applicant's present rate.

‡Cost of energy, based on present rate of 1.24 cents per kilowatt hour. Revenue based on applicant's proposed rate.

§Deficit.

The rate for lighting service is not changed. There is no cooking and heating service furnished under present rates. The present power rates are as follows:

Intermittent service at 30,000 or 6,600 volts.

0 to 27,229 kilowatt hours, $1\frac{1}{2}$ cents per kilowatt hour.

All over 27,229 kilowatt hours, $1\frac{1}{2}$ cents per kilowatt hour.

Continuous loads.

0 to 5,446 kilowatt hours, $1\frac{1}{2}$ cents per kilowatt hour.

5,446 to 27,229 kilowatt hours, $1\frac{1}{2}$ cents per kilowatt hour.

All over 27,229 kilowatt hours, $1\frac{1}{2}$ cents per kilowatt hour.

Minimum charge, \$1.00 per horsepower connected load.

ORDER.

Middle Yuba Hydroelectric Company having applied to the Railroad Commission for an order fixing electric rates, a public hearing having been held and the matter having been submitted and being now ready for decision, the Railroad Commission hereby finds as a fact that the rates now charged for electric service by applicant are insufficient to provide applicant with an adequate return, and in so far as they differ from the rates herein established, the existing rates of applicant are not just and reasonable rates, and further, that the rates herein established are just and reasonable rates for service under existing conditions.

Basing its order on the foregoing findings of fact, and upon the other findings of fact contained in the opinion which precedes this order.

It is hereby ordered that Middle Yuba Hydroelectric Company is hereby authorized to establish and file with the Railroad Commission the following rates for electric service to be effective for all bills rendered on regular meter readings taken on and after January 20, 1918:

SCHEDULE No. 1.

General Lighting Service.

12 cents per kilowatt hour.

Minimum charge, \$1.00 per meter per month.

SCHEDULE No. 2.

Cooking and Heating Service.

Applicable where electric cooking or heating apparatus is installed.

First 20 kilowatt hours per meter per month..... 12 cents per kilowatt hour

Next 180 kilowatt hours per meter per month..... 5 cents per kilowatt hour

Next 300 kilowatt hours per meter per month..... 4 cents per kilowatt hour

All over 500 kilowatt hours per meter per month... 3 cents per kilowatt hour

Minimum charge, 50 cents per kilowatt capacity of cooking and heating apparatus, but not less than \$2.50 per month.

SCHEDULE No. 3.

General Power Service.

First 1,000 kilowatt hours per month..... 4 cents per kilowatt hour

Next 1,000 kilowatt hours per month..... 3 cents per kilowatt hour

Next 3,000 kilowatt hours per month..... $2\frac{1}{2}$ cents per kilowatt hour

Next 5,000 kilowatt hours per month..... 2 cents per kilowatt hour

Next 15,000 kilowatt hours per month..... $1\frac{1}{2}$ cents per kilowatt hour

Next 25,000 kilowatt hours per month..... $1\frac{1}{2}$ cents per kilowatt hour

All over 50,000 kilowatt hours per month..... 1½ cents per kilowatt hour

Minimum charge, \$1.25 per horsepower of active installed capacity per month.

SCHEDULE No. 4.

Optional Power Schedule.

Stand-by charge.

\$1.00 per horsepower of installed capacity per month, plus.

Energy charge.

First 400 kilowatt hours per month..... 2½ cents per kilowatt hour

Next 1,600 kilowatt hours per month 2 cents per kilowatt hour

Next 18,000 kilowatt hours per month..... 1½ cents per kilowatt hour

All over 20,000 kilowatt hours per month..... 1¼ cents per kilowatt hour

Dated at San Francisco, California, this sixteenth day of January,
1919.

DECISION No. 6073.

IN THE MATTER OF THE APPLICATION OF DOWNEY LAND AND
IMPROVEMENT ASSOCIATION FOR PERMISSION TO SELL WATER
SYSTEM TO JOHN L. DOHERTY.

Application No. 4256.

*Decided January 20, 1919.**J. H. Strine*, for Applicant.*LOVELAND*, Commissioner.

OPINION.

Downey Land and Improvement Association asks permission to sell and transfer properties described in Exhibit "1," attached hereto, to John L. Doherty. He joins in this application.

Downey Land and Improvement Association was organized in 1905 for the purpose of handling the subdivision of a forty-acre tract located north of Downey, Los Angeles County. To facilitate the sale of lots, the company installed a public utility water plant. The original cost of the water plant is reported at \$3,031.95 and the present estimated value at \$2,000.00. The system supplies water to about twenty-two residents. For the year ending December 31, 1917, the gross receipts from the water system are reported at \$463.15, the expenses at \$258.39, leaving net earnings of \$204.76. Downey Land and Improvement Association reports that it has no indebtedness and that it has issued \$11,500.00 of stock.

Since June 1, 1918, John L. Doherty has been in actual charge of the water system referred to herein. He has agreed to deliver to the company in exchange for its water system property which he reports has a value of \$2,000.00, and being—

"* * * that certain property on West Second street, being a part of lot 14, tract of the Downey Land Association, as per Book 2, page 434, Miscellaneous Records of Los Angeles County."

Downey Land and Improvement Association is willing to accept this property as full payment for the properties which it intends to transfer to John L. Doherty.

The record shows that John L. Doherty is aware of the fact that he is undertaking to operate a public utility water plant. He believes that he will be able to finance any needed extensions and operate the water plant in a satisfactory manner.

I herewith submit the following form of order:

ORDER.

Downey Land and Improvement Association having filed with the Railroad Commission an application to sell and transfer a public utility water plant to John L. Doherty, and John L. Doherty having joined in the application, a public hearing having been held, and the commission being of the opinion that this application should be granted,

It is hereby ordered that Downey Land and Improvement Association be and it is hereby granted authority to sell and transfer to John L. Doherty, a public utility water plant, described in Exhibit "1," attached hereto, it being understood that John L. Doherty will transfer to Downey Land and Improvement Association, in payment for its properties, the properties referred to in the petition herein.

The authority is granted upon the following conditions:

1. The consideration given for the properties herein authorized to be transferred shall not be taken before this commission, or any other public body, as representing for rate fixing or any purpose, other than the transfer herein authorized, the value of the properties.
2. Within thirty days after the transfer of the properties herein authorized, John L. Doherty shall file with the Railroad Commission a verified copy of the instrument of conveyance.
3. The authority herein granted shall apply only to such properties as may be transferred on or before April 1, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twentieth day of January, 1919.

EXHIBIT "1."

The properties which Downey Land and Improvement Association intends to sell and transfer to John L. Doherty are described in the petition herein as follows:

"Lots Four (4), Five (5), and Six (6), of Block Two (2), Lot Nine (9) of Block Four (4), and Lot Nine (9) of Block Seven (7) of Downey Home Tract, as per map thereof recorded in Book 8, page 90 of Maps in the Records of said County; also the well, tank, pump, pumping plant and all machinery and pipe, on or in said lot Nine (9), Block Seven (7), or connected thereto, and all meters, pipes, pipe lines, and the whole pipe and water distributing system joined to or in any way connected with said well, tank or pumping plant now owned or used by grantor to produce or distribute water to the various and

several lots of said Downey Home Tract and the inhabitants thereof; *also* all right heretofore reserved by said party of first part to lay gas, water and sewer pipes through the several lots of said Downey Home Tract heretofore sold by said party of the first part; *subject* to the duties and obligations of grantor to produce and furnish water to said Downey Home Tract and the several lots thereof, which duties and obligations of grantor, the grantee by acceptance hereof assumes and promises to perform."

DECISION No. 6074.

IN THE MATTER OF THE APPLICATION OF HAINES CANYON WATER COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF FIRST MORTGAGE NOTES SECURED BY A LIEN ON CERTAIN PROPERTY OF THE PUBLIC UTILITY.

Application No. 4291.

Decided January 20, 1919.

M. V. Hartranft, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

Haines Canyon Water Company asks authority to issue mortgage notes for a period of three years or less in the total amount of not exceeding \$7,500.00.

The property which applicant intends to mortgage is described in the petition herein and is the same property which the Railroad Commission authorized it to acquire, Decision No. 5887, dated November 1, 1918, from Western Empire Suburban Farms Association in exchange for \$100,000.00 of stock. The record shows that applicant's property is unencumbered.

Applicant reports that it is necessary for it to line and roof its upper reservoir, extend its tunnel and install a pitless pump. The estimated cost of these improvements is reported at \$6,250.00. M. V. Hartranft is of the opinion that the company, for the purpose of meeting contingencies, such as increased costs, and assuring the completion of the improvements, should at this time provide for a loan of \$7,500.00. The order herein will provide that any part of the moneys not necessary to pay for the improvements shall be expended only for such purposes as the Railroad Commission may authorize in a supplemental order or orders.

Applicant has not submitted to the commission for approval a copy of its proposed mortgage. It reports, however, that this will be of the standard form. Obviously, the commission can not make a final order in this proceeding until there has been submitted to it for approval a form of the mortgage.

I herewith submit the following form of order:

ORDER.

Haines Canyon Water Company having applied to the Railroad Commission for authority to issue notes and execute a mortgage, a public hearing having been held and the commission being of the opinion that this application should be granted, subject to the conditions of this order,

It is hereby ordered that Haines Canyon Water Company be and it is hereby granted authority to issue, at not less than par, notes in the principal sum of not exceeding \$7,500.00, payable within three years or less, and bearing interest at not exceeding 7 per cent per annum, and to mortgage all or a part of its public utility water plant to secure the payment of such notes, upon the following conditions:

(1) The authority herein granted to issue notes shall not become effective until the Railroad Commission has approved the mortgage securing the payment of the notes.

(2) Proceeds in the amount of not exceeding \$6,250.00 shall be expended for the following purposes:

Lining and roofing upper reservoir, approximately-----	\$750 00
Tunnel extension, approximately-----	3,000 00
Pitless pump and installation, approximately-----	2,500 00
	\$6,250 00

(3) The remainder of the proceeds shall be expended only for such purposes as the Railroad Commission may hereafter authorize in a supplemental order or orders.

(4) On or before the twenty-fifth day of each month, Haines Canyon Water Company shall make verified reports in such form and detail as is required by the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(5) The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

(6) The authority herein granted shall apply only to such notes as may be issued, and to such mortgage as may be executed, on or before May 1, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twentieth day of January, 1919.

DECISION No. 6075.

IN THE MATTER OF THE APPLICATION OF THE LOS VERJELS LAND AND WATER COMPANY, A CORPORATION, FOR AUTHORITY AND PERMISSION TO RENEW A MORTGAGE ON THE LANDS AND PROPERTY OF THE COMPANY.

Application No. 4290.

Decided January 20, 1919.

V. T. McGillpuddy, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

Los Verjels Land and Water Company asks authority to issue a \$13,500.00 one-year 7 per cent note to Bank of Rideout, Smith & Company of Oroville, and secure the payment of the note by a mortgage on its public utility property. Under authority granted by Decision No. 1085, dated November 21, 1913 (Vol. 3, Opinions and Orders of the Railroad Commission of California, p. 914), applicant issued to the Bank of Rideout, Smith & Company, its one-year 7 per cent note for the principal sum of \$16,500.00. It reports that it has paid \$3,000.00 on this note. The bank has expressed its willingness to accept a new note for the unpaid balance of \$13,500.00. This new note is to be secured by a mortgage substantially in the same form as the mortgage approved by the Railroad Commission in Decision No. 1228, dated January 27, 1914 (Vol. 4, Opinions and Orders of the Railroad Commission of California, p. 91), except that it is to secure the payment of \$13,500.00 instead of \$16,500.00 and will not apply to approximately 200 acres of land sold since the execution of the mortgage approved by Decision No. 1228.

I herewith submit the following form of order:

ORDER.

Los Verjels Land and Water Company having filed with the Railroad Commission an application for authority to issue a note and execute a mortgage, a public hearing having been held, and the commission being of the opinion that the money, property or labor to be paid for by such issue is reasonably required for the purpose specified in the order, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income.

It is hereby ordered that Los Verjels Land and Water Company be and it is hereby granted authority to issue a \$13,500.00 one-year 7 per cent note to Bank of Rideout, Smith & Company, and execute a mortgage to secure the payment of the note, said mortgage, except as to the description of the property covered thereby and the face amount of the note secured, to be substantially in the same form as the mortgage

approved by the Railroad Commission in Decision No. 1228, dated January 27, 1914.

The authority herein granted is upon the following conditions and not otherwise:

1. The note herein authorized shall be issued for the purpose of refunding the \$13,500.00 indebtedness of Los Verjels Land and Water Company due to the Bank of Rideout, Smith & Company of Oroville.

2. Within thirty days after its execution Los Verjels Land and Water Company shall file with the Railroad Commission a certified copy of the mortgage herein authorized to be executed.

3. The approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject.

4. Los Verjels Land and Water Company shall keep separate, true and accurate accounts showing the receipt and application of the proceeds from the sale of the note herein authorized to be issued and shall file a report with the Railroad Commission as required by the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted shall apply only to such note as may be issued and to such mortgage as may be executed on or before March 1, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twentieth day of January, 1919.

IN THE MATTER OF THE CHARGE AND COLLECTION BY THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY OF TOLL RATES FOR LONG DISTANCE TELEPHONE SERVICE BETWEEN POINTS WITHIN THE STATE OF CALIFORNIA IN VIOLATION OF THE PUBLIC UTILITIES ACT OF CALIFORNIA.

Case No. 1290.

BY THE COMMISSION.

COMPLAINT AND ORDER INSTITUTING INVESTIGATION, AND ORDER TO SHOW CAUSE.

The Railroad Commission of the state of California being advised that The Pacific Telephone and Telegraph Company, a public utility subject to its jurisdiction under the provisions of the Public Utilities Act of this state, is charging and collecting for long distance telephone

service rendered between points within the state of California toll rates other than those lawfully on file with and approved by the Railroad Commission and in effect for such service; and that as to such rates which said company is charging and collecting, many of which are in excess of those lawfully on file with and approved by the Railroad Commission, there has not been any showing before the Railroad Commission or finding by the Railroad Commission that such rates are justified, as required by section 63 of said Public Utilities Act, and that in charging and collecting said rates said company, its officers and agents, are violating the provisions of said Public Utilities Act.

It is hereby ordered that the Railroad Commission, on its own motion, institute an investigation into the above-entitled matter.

And the commission finding that public necessity requires that a hearing be had on less than ten days' notice.

It is further ordered that the hearing on said matter be had before the commission en banc on Saturday, January 25, 1919, at 10 a.m., at the office of the Railroad Commission, 833 Market street, San Francisco, California, at which time and place The Pacific Telephone and Telegraph Company and George E. McFarland, its president, appear in answer to this order and show cause, if any either of them have, why the commission should not make this investigation and such orders as the commission may deem reasonable with reference to the subject matter hereof, and no good cause appearing to the contrary, the commission will at said time and place proceed with this investigation and thereafter make such orders with reference to said violations of said Public Utilities Act as to the Railroad Commission may seem proper.

It is further ordered that The Pacific Telephone and Telegraph Company immediately desist and refrain from charging or collecting for long distance telephone service rendered between points within the state of California, toll rates in excess of those lawfully in effect and on file with the Railroad Commission on Monday, January 20, 1919.

It is further ordered that the assistant secretary of this commission serve upon The Pacific Telephone and Telegraph Company and George E. McFarland, its president, a certified copy of this complaint and order.

Dated at San Francisco, California, this twenty-first day of January, 1919.

DECISION No. 6077.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA
EDISON COMPANY FOR AUTHORITY TO ISSUE CERTAIN BONDS
AND DEBENTURES.

Application No. 4310.

Decided January 23, 1919.

Harry J. Bauer, for Applicant.

EDGERTON, *Commissioner.*

OPINION.

Southern California Edison Company asks authority to issue \$8,000,000.00 of its general and refunding 25-year 6 per cent bonds due January 1, 1944; \$8,000,000.00 of 10-year 7 per cent serial debentures and to execute an agreement defining the terms and conditions under which the debentures may be issued.

Southern California Edison Company general and refunding bonds in the sum of \$10,000,000.00 mature July 1, 1919. In addition, the company reports in Exhibit No. "8," notes payable amounting to \$6,078,592.98. It is for the purpose of paying and refunding the \$10,000,000.00 of bonds and part of the notes payable that applicant desires to sell \$8,000,000.00 of general and refunding bonds and \$8,000,000.00 of debentures. If the bonds are sold at 93 and the debentures at 95, the company will realize the sum of \$15,040,000.00. Of this money, \$10,000,000.00 will be used to redeem the bonds due July 1, 1919, and the remainder, \$5,040,000.00, applied to the payment of short-term notes.

The issue of the \$10,000,000.00 of bonds, due July 1, 1919, was authorized by Decision No. 4468, dated July 19, 1917 (Vol. 13, Opinions and Orders of the Railroad Commission of the State of California, p. 502). There is no question about the propriety of paying or refunding the \$10,000,000.00 of bonds through the issue of bonds and debentures, as shown in the record in this proceeding.

The use of part of the proceeds from the sale of debentures, to pay notes, is justified by officers of applicant on the ground that the uncanceled expenditures on December 31, 1918, amounted to \$5,159,619.72. In Exhibit Number Two, applicant reports:

Balance of capital expenditures to September 30, 1917, for which no securities had been issued--as shown in Application No. 2743, Decision No. 4801-----	\$3,885,019 84
Amount expended for additions and betterments to physical plant : October 1, 1917, to September 30, 1918-----	\$4,611,418 53
Less Ventura County Power Company purchase	1,464,864 46
	3,146,554 07
Amount expended for additions and betterments to physical plant October to December, 1918, inclusive-----	218,516 16

Amount expended by Ventura County Power Company subsequent to October 31, 1916, and until the date of the consolidation of its properties with Southern California Edison Company November 30, 1917.....	77,768 10
Additional cost of Mount Whitney Power and Electric Corporation stock.....	17,949 88
Increase in material and supplies since June 1, 1917.....	173,330 84
Advances to system corporation since June 1, 1917 (Santa Barbara Gas and Electric Company and Mount Whitney Power and Electric Company).....	883,205 93
2,000 shares Mount Whitney Power and Electric Company preferred stock issued account purchase Lacey Company properties.....	169,748 98
Total	88,572,093 80
Less amount withdrawn from advance construction account:	
Total amount withdrawn.....	\$3,000,000 00
Less included in statement filed in Application No. 2743, referred to above.....	925,704 35
	\$2,074,295 65
Proceeds of common stock sold—Decision 4801.....	1,338,178 43
Total deductions	3,412,474 08
Balance	\$5,159,619 72

The engineering department of the Railroad Commission finds the expenditures of applicant, because of additions and betterments to its plant, reasonable. As reported in Exhibit Number Two applicant has since June 1, 1917, advanced \$883,205.93 to system corporations—Mount Whitney Power and Electric Company and Santa Barbara Gas and Electric Company. The testimony shows that the expenditures of these companies on capital account, since June 1, 1917, exceed the amount advanced by applicant. This is not a case of authorizing the issue of bonds against uncapitalized expenditures, but debentures which applicant expects to pay through the sale of common stock.

The \$8,000,000.00 of debentures are to be issued under an agreement to be executed to the Bankers Trust Company of New York. No copy of this agreement has been filed with the commission. Until this is done, no final order can be made in this proceeding. As outlined at the hearing by A. N. Kemp, controller of Southern California Edison Company and as shown by exhibits filed in this proceeding, debenture agreement is to provide for an issue of \$8,000,000.00 of the debentures maturing at the rate of \$1,000,000.00 per annum from 1921 to 1928, inclusive. The payment of the debentures is unsecured. The debenture agreement will provide among other things, that the \$8,000,000.00 of debentures will share in the security of any new mortgage made by the company, that is, in the security of any mortgage, the lien of which is junior to that of the mortgage of July 1, 1917, as such mortgage now exists, or as it may be at any time amended by supplemental agreements. Mr. Kemp, as well as Mr. Ballard, first vice president of Southern California Edison Company, believe that the company will

be able to pay and refund the debentures through the issue of its common stock.

It is urged that the commission should authorize the issue of the bonds and debentures as applied for herein, for the reason that this is the first step toward placing the company in a financial condition to resume its development work and the building up of its property. Applicant's development program, covering a period of three years, calls for an estimated expenditure of \$18,945,000.00. The proposed hydroelectric plants, when completed, will produce, in a normal year, according to the testimony of Mr. Ballard, an additional 310,000,000 kilowatt hours per annum, compared with the company's present total hydroelectric resources of 660,000,000 kilowatt hours per annum. Officials of the company believe that payment and refunding of the \$10,000,000.00 of bonds, due July 1, 1919, and approximately \$5,000,000.00 of short term notes, will enable the company to issue additional bonds and sell common stock for the purpose of carrying out its three-year construction program.

It is contended that the interest rate on the debentures, while admittedly a trifle high, should be contrasted with the rate for stock. The issue of the debentures is a temporary expedient. Applicant proposes to make every effort, and entertains considerable hope of success, to sell enough stock to retire all of the debentures. While the stock, at this time, can not be sold on as favorable terms as the debentures, it is believed that the price of the stock because of this refinancing and the proposed new development will increase in price, and cut down the net cost of money, to the company as time goes on.

In Decision No. 5978, dated December 5, 1918, the Railroad Commission authorized applicant to renew for a period of one year or less, \$626,500.00 of notes. The notes issued pursuant to the authority granted in Decision No. 5978, should be paid or refunded through the issue of debentures herein authorized.

I herewith submit the following form of order:

ORDER.

Southern California Edison Company having applied to the Railroad Commission for authority to issue \$8,000,000.00 of bonds and \$8,000,000.00 of debentures, a public hearing having been held, and it appearing to the commission that the money, property or labor to be procured or paid for by such issue is reasonably required for the purposes specified in the order, which purposes are not in whole or in part reasonably chargeable to operating expenses or to income.

It is hereby ordered that Southern California Edison Company be and it is hereby authorized to issue \$8,000,000.00 of its general and refunding 25-year 6 per cent bonds, due January 1, 1944, and

\$8,000,000.00 of its 10-year 7 per cent serial debentures upon the following conditions and not otherwise:

1. None of the bonds or debentures herein authorized to be issued shall be issued until the Railroad Commission has approved the amendment to applicant's general and refunding mortgage, dated July 1, 1917, and the debenture agreement defining the terms and conditions under which the \$8,000,000.00 of debentures may be issued.

2. The bonds herein authorized to be issued, shall be sold for not less than 93 per cent of their face value, plus accrued interest, and the debentures for not less than 95 per cent of their face value, plus accrued interest.

3. The proceeds obtained from the sale of the bonds and debentures shall be used for the following purposes:

(a) The sum of \$10,000,000.00 to pay for refunding the \$10,000,000.00 of general and refunding bonds, due and payable July 1, 1919;

(b) The sum of \$5,040,000.00, or such an amount of the proceeds as may remain after the payment of the aforesaid bonds, to pay in whole or in part the notes set forth in Exhibit No. "8," filed in this proceeding, it being understood that applicant will pay or refund the notes issued pursuant to Decision No. 5978, dated December 5, 1918.

4. Southern California Edison Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds from the sale of the bonds and debentures herein authorized to be issued, and on or before the twenty-fifth day of each month, the company shall make verified reports to the Railroad Commission as required by the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

6. The authority herein granted shall apply only to such bonds and debentures as may be issued on or before October 1, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-third day of January, 1919.

DECISION No. 6078.

IN THE MATTER OF THE APPLICATION OF THE UNION HOME TELEPHONE AND TELEGRAPH CORPORATION FOR AUTHORIZATION TO SELL PROPERTY AND FRANCHISES TO THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY, AND OF THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY FOR AUTHORIZATION TO SELL PROPERTY AND FRANCHISES TO UNION HOME TELEPHONE AND TELEGRAPH CORPORATION.

Application No. 2920.

Decided January 23, 1919.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

It is hereby ordered by the Railroad Commission of the state of California that pending further order of this commission toll rates shall not be put into effect by The Pacific Telephone and Telegraph Company in the county of Orange for telephone service between exchanges where free switching is now being accorded.

Dated at San Francisco, California, this twenty-third day of January, 1919.

DECISION No. 6079.

IN THE MATTER OF THE APPLICATION OF SAN FERNANDO VALLEY HOME TELEPHONE COMPANY FOR AUTHORITY TO SELL PROPERTY AND FRANCHISES TO THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY AND OF THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY FOR AUTHORITY TO ACQUIRE THE SAME AND AUTHORIZING SAN FERNANDO VALLEY HOME TELEPHONE COMPANY TO WITHDRAW FROM THE TELEPHONE BUSINESS.

Application No. 3280.

Decided January 23, 1919.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

It is hereby ordered by the Railroad Commission of the state of California that pending further order of this commission toll rates shall not be put into effect by The Pacific Telephone and Telegraph Company where free switching is now being accorded between the cities of Los Angeles, Glendale and Burbank and all other communities served within the area embraced in the above-entitled proceedings.

Dated at San Francisco, California, this twenty-third day of January, 1919.

DECISION No. 6080.

IN THE MATTER OF THE APPLICATION OF THE UNION HOME TELEPHONE AND TELEGRAPH CORPORATION FOR AUTHORIZATION TO SELL PROPERTY AND FRANCHISES TO THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY, AND OF THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY FOR AUTHORIZATION TO SELL PROPERTY AND FRANCHISES TO UNION HOME TELEPHONE AND TELEGRAPH CORPORATION.

Application No. 2920.

Decided January 25, 1919.

BY THE COMMISSION.

THIRD SUPPLEMENTAL ORDER.

It is hereby ordered by the Railroad Commission of the state of California that, pending the further order of this commission, toll rates shall not be put into effect by The Pacific Telephone and Telegraph Company for telephone service between San Bernardino, Highland, Colton, Rialto and other communities where free switching is now being accorded in the county of San Bernardino, California.

Dated at San Francisco, California, this twenty-fifth day of January, 1919.

DECISION No. 6081.

IN THE MATTER OF THE APPLICATION OF THE UNITED STAGE COMPANY, A COPARTNERSHIP, FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE AN AUTO STAGE LINE FOR THE TRANSPORTATION OF PERSONS AND PROPERTY BETWEEN SACRAMENTO, CALIFORNIA, AND LAKE TAHOE, CALIFORNIA, AND INTERMEDIATE POINTS.

Application No. 4271.

Decided January 27, 1919.

Sanborn & Rochl, by *A. B. Rochl*, for Applicant.

W. A. Latta, for Star Auto Stage Association and *A. L. Richardson*, Protestants.

BY THE COMMISSION.

OPINION.

Louis E. Smith, George Zurfluh and Gino Antichi, a copartnership proposing to do business under the fictitious name of United Stage Company, have petitioned the Railroad Commission for an order declaring that public convenience and necessity require the operation by them of an automobile stage line as a common carrier of passengers and property between Sacramento and Lake Tahoe and intermediate points.

A public hearing was held by Examiner Handford at Placerville on January 3, 1919; the matter was duly submitted and is now ready for decision.

Applicants propose to charge fares in accordance with a schedule marked Exhibit "A" and filed with the application in this proceeding, and to operate a schedule of two round trips, daily except Sunday, between Sacramento and Placerville, serving the intermediate communities at Orangevale, Folsom, Whiterock, Clarksville, Shingle Springs and El Dorado. During the season from June to September, inclusive, of each year applicants propose to operate one round trip daily except Sunday between Sacramento and Lake Tahoe, serving as intermediate points the communities at Placerville, Camino, Pacific House, Riverton, Whitehall, Kyburz, Strawberry, Phillips, Myers and Lake Tahoe, the points at Lake Tahoe to be served being Fallen Leaf Lodge, Tallac, The Grove, Al Tahoe, Camp Bell, Bijou and Lakeside Park.

The equipment proposed to be used is as follows:

One Pope-Hartford automobile, 48 horsepower, seven-passenger capacity, licensed by State Motor Vehicle Department under license No. 130111.

One Pierce-Arrow automobile, 48 horsepower, seven-passenger capacity, licensed by State Motor Vehicle Department under license No. 375599.

One Pierce-Arrow automobile, 48 horsepower, seven-passenger capacity, licensed by State Motor Vehicle Department under license No. 305176.

One Studebaker automobile, 40 horsepower, seven-passenger capacity, licensed by State Motor Vehicle Department under license No. 308664.

One Cadillac, 1915 model, seven-passenger capacity.

Additional equipment is to be supplied if the demands of traffic warrant.

Applicants allege that the service rendered by the existing authorized line between Sacramento and Lake Tahoe, which serves the same route sought by applicants herein, has been inadequate during the past season; that the volume of traffic between Sacramento, Placerville and Lake Tahoe will materially increase during the coming season due to the completion of the new state highway between Sacramento and Placerville; that resort owners desire additional transportation facilities and that arrangements have been made for a through ticketing arrangement with the Southern Pacific Company and the proposed line of applicants whereby tickets will be sold by the Southern Pacific Company to points reached by the line of applicants.

Applicants have secured permits from the governing bodies of the various political subdivisions through which the proposed route passes as required by the provisions of section 3 of chapter 213, laws of 1917.

Witnesses for applicant testified that during the months of July and August the traffic handled by the authorized stage line was heavy and that cars were crowded. No evidence was presented that indicated that cars were loaded beyond the seating capacity, which loading would have been a violation of one of the Railroad Commission's operating rules and regulations. No evidence was presented by witnesses in favor of applicants which would indicate that the present authorized stage line was unable or unwilling to furnish such equipment and service as might be required by the public convenience, the attitude of resort owners apparently being that their business would be increased by a competitive service.

Complaint was made by witnesses for applicant that cars had been allowed to fill scheduled runs when brakes were in other than effective condition, and that drivers had been employed by the authorized line who were under the age of twenty-one, as required by the commission's regulations.

These complaints were met by testimony of A. L. Richardson, witness for protestant, Star Auto Stage Association, who described the regulations under which operation was conducted and instructions that were given operators relative to cars being in proper operative condition before starting on scheduled trips.

Regarding the employment of drivers under the age of twenty-one, the evidence indicates that two such drivers had been used, but that both drivers had claimed to be of legal age at the time of their employment.

We are of the opinion that the alleged violations of operating rules and safety regulations as presented in this proceeding do not justify action by this commission to the extent of permitting competitive service over a route already served with adequate transportation for the public need. The attention of protestant, Star Auto Stage Association, is directed to the necessity of strict compliance with each and every operating rule and regulation as established by this commission for the government of motor transportation companies as defined by chapter 213, laws of 1917.

The granting of this application is opposed by the Star Auto Stage Association and A. L. Richardson. The Star Auto Stage Association holds the operative rights over the route between Sacramento and Lake Tahoe, same having been effective on and prior to May 1, 1917, which was the date recognized by the legislature as that upon which transportation companies as defined by chapter 213, laws of 1917, who were then operating in good faith, were not required to secure certificate of public convenience and necessity from this commission nor permits from the

governing bodies of the various political subdivisions through which the route passed. The operation of the line is under the charge of A. L. Richardson, a member of the Star Auto Stage Association, who formerly operated the line as the Pierce-Arrow Auto Stage but transferred the operative right to the Star Auto Stage Association prior to May 1, 1917. Tariffs and time schedules are legally filed with the Railroad Commission in the name of the Star Auto Stage Association covering this route. Mr. A. L. Richardson for the Star Auto Stage Association testified that thirteen Pierce Arrow and two Dodge automobiles were used in the operation of the line and that a schedule of two round trips between Placerville and Sacramento during the entire year and one round trip, daily except Sunday, was operated between Sacramento and Lake Tahoe during the summer season, and that as many as ten cars had been required to fill a scheduled run from Sacramento to Lake Tahoe resorts. In addition to the above passenger equipment six auto trucks are available for the handling of packages and baggage, and additional equipment in case of unexpected heavy traffic can be secured from other members of the Star Auto Stage Association. Arrangements have also been perfected, if heavy travel develops during the coming season, whereby additional cars to a maximum of sixty can be procured on short notice. Concurrences are filed with this commission with the existing line, the Southern Pacific Company and the Oakland, Antioch and Eastern Railway, the concurrence with the Southern Pacific Company being executed by the Star Auto Stage Association and that with the Oakland, Antioch and Eastern Railway being executed by the Pierce-Arrow Stage, the change to Star Auto Stage Association not having been made at the time the transfer of operating right was made as hereinbefore mentioned. Protestant, Star Auto Stage Association, will be required to amend and properly file this concurrence before the commencement of the coming season's operation. While these concurrences refer only to Lake Tahoe points, and the concurrence with the Southern Pacific Company proposed to be secured by applicants herein was on the basis of serving all points not reached by the rails of the Southern Pacific Company, there was no showing that any public demand existed for transportation to intermediate points, and if such demand arises same may be cared for by the filing of joint rates and the necessary concurrence between the operating companies. Witness testified that he had endeavored to give the public satisfactory service and to care for all traffic that was offered; that he had deadheaded cars from terminals as late as midnight that patrons might receive scheduled service; that frequent use of the telephone was made that the demands of traffic might be ascertained and be properly cared for. Mrs. W. E. Beck, one of the proprietors of the Hotel Placerville, testified that the office of the existing stage line was in the same building, that she had observed the

operation of the line, had never heard a complaint from its patrons and that in the absence of Mr. Richardson his bookkeeper and assistant gave the dispatch of cars personal attention and that frequently cars were operated empty or with less than the rated seating capacity.

A careful analysis of the testimony in this proceeding does not indicate that the public necessity and convenience would be served by the issuance of a certificate of public convenience and necessity to the applicants herein; no showing was made by the applicants which would indicate that the existing stage line was not satisfactorily handling the traffic offering, nor that such line was not in position to increase its equipment and service to meet the demands of traffic. On the contrary, the evidence clearly shows that the existing line has ample equipment and has satisfactorily served the route in the past, has arrangements whereby additional equipment may be secured on short notice to care for unexpected travel and to secure ample equipment if the heavy travel anticipated by applicants to ensue during the coming season following the completion of the state highway between Sacramento and Placer-ville should be present. The inadequacy of service on the existing line as alleged by applicants in this proceeding was not substantiated by any evidence presented at the hearing. We are of the opinion that the service as rendered by the Star Auto Stage Association over the route sought by applicants herein is ample for the requirements of the public desiring stage transportation between Sacramento and Lake Tahoe, and that protestant's offer to provide additional equipment and service if the public demand warrants same should receive full consideration and be measured by the character of service which has been rendered during past seasons. The testimony on this point was conclusive and was uncontroverted.

The commission has repeatedly stated in its decisions on applications of this nature that where it is shown that satisfactory service is being rendered by an authorized transportation company over a specific route, and where an established company is willing and financially able to increase service to meet the varying demands of traffic, as particularly existing in connection with service to a territory classed as a vacation and summer resort as in the route herein sought by applicants, that the existing company will be protected in its operative rights. Upon this theory an affirmative showing must be made that the public convenience and necessity require additional service, which for any reason can not be or is not rendered by the established and authorized company. In this proceeding no showing of this nature has been made, but the protestants have offered to furnish all the service that the demands of the traffic may require. The desire of applicants to enter the business of a transportation company as a common carrier is not a measure of public

convenience and necessity unless substantiated by evidence that public convenience and necessity will be served.

The ruling decision of the Railroad Commission in the matter of applications for certificates of public convenience and necessity where the evidence indicated that a route was satisfactorily served by an existing authorized company is contained in Decision No. 4674 on Application No. 3159 as decided September 26, 1917. In the Matter of the Application of Santa Clara Valley Auto Line, C. R. C. Decisions, Vol. 14, pp. 118, 119, in which Commissioners Thelen and Gordon held as follows:

"As has been noted, section 5 of the act of May 10, 1917, provides in part that no transportation company shall commence operations unless it has first secured from the Railroad Commission a certificate declaring 'that public convenience and necessity' require such operation. This is the only test prescribed by the statute. Accordingly, when application is made to the Railroad Commission for an order authorizing automobile stages to operate, the sole test which the Railroad Commission may apply is whether or not the convenience and necessity of the public require that the service as contemplated by petitioner shall be rendered. This is not a question as to whether the public authorities shall extend a favor to existing operators by refusing to permit newcomers to enter the field or whether they shall extend a favor to the newcomer by permitting him to compete with existing companies. No person has a vested right to engage in a public utility service. The law looks not to the operator, but to the convenience and necessity of the public and clearly contemplates that applications of this character shall be decided on the basis of this test alone and not on the basis of the desires or necessities of the operators. Operators may be permitted to enter the field only at such times and in such places and under such conditions as will best subserve the convenience and necessity of the public.

In cases involving the classes of utilities specified in section 50 of the Public Utilities Act, the Railroad Commission has consistently held that if the existing utility in a certain territory is giving good service at rates as low as may reasonably be expected and is meeting all the requirements of the public in such territory for additional service, the Railroad Commission will be slow to permit a competitor to enter the field unless the competitor by reason of superior natural advantages or patented processes or other means can give to the public either a service materially better or rates materially lower. This conclusion is based on the self-evident proposition that a utility which secures all the business in a certain territory is much better able to give good service at reasonable rates and to make the necessary extensions than though its revenues are diminished through competition. It is a well-understood maxim that in cases of competition in public utility service, the public in the long run, generally pays the bills, including the cost of all duplication and other economic waste.

In *Pacific Gas and Electric Company vs. Great Western Power Company*, Case No. 209, decided on June 18, 1912 (Vol. 1, Opinions and Orders of the Railroad Commission of California, p. 203), the Railroad Commission, at page 209 said:

"It certainly is true that where a territory is served by a utility which has pioneered in the field, and is rendering cheap and efficient service and is fulfilling adequately the duty which, as a public utility, it owes to the public, and the territory is so generally served that it may be said to have reached the point of saturation as regards the particular commodity in which such utility deals, then certainly the design of the law is that the utility shall be protected within such field; but when any one of these conditions is lacking, the public convenience may often be served by allowing competition to come in."

In its decision in the Oro Electric case rendered on April 29, 1913, in Application No. 347 (Vol. 2, Opinions and Orders of the Railroad Commission of California, p. 748), the Railroad Commission, at page 755, said:

"A wise public policy demands that utilities which are doing their full duty to the public shall be treated with fairness and justice and liberality, and that they shall receive such protection to their investments as they may deserve, subject always to the contingency that if another utility can, by reason of superior

natural advantages or patented processes or other means, give to the public a service as good as the existing utility, at rates materially less, the interests of the public must be deemed paramount and the new utility must be given an opportunity to serve the public. Under this new state policy, competition between public utilities is not of itself necessarily a good thing. Whether or not it is a good thing depends upon the results which flow from it in each particular case."

The foregoing decisions were rendered under the provisions of section 50 of the Public Utilities Act containing provisions with reference to certificates of public convenience and necessity almost identical with the provisions of section 5 of the act of May 10, 1917.

We see no good reason which would justify a failure to apply to the present situation and to similar situations the principles announced in the Great Western Power Company case and the Oro Electric case, subject, of course, to such qualifications and modifications as may be necessary because of the nature of the business of automobile stages and the conditions under which such business is conducted.

The burden of proof, if a petitioner asks for an order declaring that public convenience and necessity require that he shall commence operations in a territory which is served by an existing utility, is upon the petitioner. He must show, affirmatively, that public convenience and necessity require that he shall enter the field."

The principles governing the decision in the above-quoted application are analogous to those presented by the evidence in this proceeding. After careful consideration of all the evidence in this proceeding, we are of the opinion and find as a fact that the service now rendered by the Star Auto Stage Association between Sacramento and Lake Tahoe is satisfactory and adequate for the public convenience and necessity, that said Star Auto Stage Association is in position to satisfactorily meet such additional demands for service as the public may require, and that this application should be denied.

ORDER.

Louis E. Smith, George Zurfluh and Gino Antichi, a copartnership proposing to do business under the fictitious name of United Stage Company, having petitioned the Railroad Commission for an order declaring that public convenience and necessity require the operation by them of an automobile stage line as a common carrier of passengers and property between Sacramento and Lake Tahoe and intermediate points, a public hearing having been held and the commission being fully advised and basing its order on the finding of fact as set forth in the opinion which precedes this order,

The Railroad Commission hereby declares that public convenience and necessity do not require the operation by Louis E. Smith, George Zurfluh and Gino Antichi, copartners proposing to do business under the name of United Stage Company, of an automobile stage line as a common carrier of passengers and property between Sacramento and Lake Tahoe and intermediate points, and

It is hereby ordered that this application be and the same hereby is denied.

Dated at San Francisco, California, this twenty-seventh day of January, 1919.

DECISION No. 6082.

IN THE MATTER OF THE APPLICATION OF INGLEWOOD WATER COMPANY FOR PERMISSION TO CHANGE ITS RATES FOR WATER SERVICE.

Application No. 4147.

Decided January 27, 1919.

Harry Lee Martin, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

This is an application by Inglewood Water Company, a public utility corporation engaged in the business of selling water for domestic and irrigation uses in the city of Inglewood and adjacent territory, for authority to increase its rates.

The application alleges, in effect, that the rates now charged were established by this commission at a time when the cost of maintaining and operating the system was much less than at present; that the increased cost of materials and labor necessitates an increased revenue and asks that a rate be established to care for this increased cost and provide for interest on at least a portion of its investment.

A public hearing in this proceeding was held in Los Angeles on December 11, 1918.

The present rate schedule in effect was established by this commission in its Decision No. 3157 in Application No. 1972, entitled "In the Matter of the Application of Inglewood Water Company for an order authorizing it to change rates, issue bonds and purchase water system from Hyde Park Water Company and of the latter company to sell said system." (Vol. 9, Opinions and Orders of the Railroad Commission of the State of California, p. 371.) These rates are as follows:

Minimum per month for first 300 cubic feet or less	\$0.75
For excess 300 cubic feet to 2,000 cubic feet, per 100 cubic feet	.13
For excess over 2,000 cubic feet, per 100 cubic feet	.08
Fire hydrants, per year per outlet	5.00

Reference is made to the above decision for a detailed description of the plant, methods of operation and appraisal of the system.

The commission, in its Decision No. 3157, establishing rates, provided an income sufficient to meet operating expenses, depreciation and interest at 6 per cent on \$150,000.00 par value of bonds which it permitted the utility to issue.

Applicant is not asking at this time that an income sufficient to pay interest on the cost of its plant be provided.

Inglewood is sparsely settled and is still in the development stage necessitating large expenditure per consumer in order to deliver water. This condition is such that if a rate schedule is established to provide a return on applicant's investment, it would be so unduly high as to be unfair to the consumer.

Records of maintenance and operation expense have been carefully examined by the commission's hydraulic engineers, who report that in their opinion the expenses incurred were necessary in the operation of the system and that the amount is a fair allowance to be included in the annual charges. A tabulation of these expenses follows:

	1915	1916	1917	1918*
Pumping expense	\$7,835 25	\$6,585 83	\$6,519 10	\$8,603 89
Distribution expense	1,742 36	1,625 32	1,840 62	2,702 12
Commercial expense		799 03	1,074 33	1,517 47
General expense	7,525 13	5,671 07	6,001 40	5,670 95
Taxes	4,569 63	3,384 83	4,200 00	3,321 31
Total expenditure	\$21,672 37	\$18,066 08	\$19,635 45	\$21,826 74
Total revenue	29,411 92	34,156 37	31,650 21	-----

*For 11 months.

A large part of the increased cost of operation of 1918 over previous years is due to the increased cost of fuel oil and wages. It is very difficult to forecast probable future expense in view of the present unsettled conditions.

The number of consumers supplied by applicant has increased very little during the past two years, and conditions are practically the same as existed at the time Decision No. 3157, *supra*, issued.

I am of the opinion that if an increase in income is provided equal to the increased costs of maintenance and operation, that it will be dealing liberally with the utility, in view of the conditions existing in the territory served.

I shall therefore recommend that applicant's rates be increased to provide for this additional expense. The rate schedule set out in the order following will, it is estimated, produce at least the amount yielded by the rates established in Decision No. 3157 plus the increased cost of operation.

I submit the following form of order:

ORDER.

Application having been made by Inglewood Water Company for authority to increase its rates, a public hearing having been held and the matter having been submitted,

It is hereby found as a fact that the rates now charged by Inglewood Water Company, in so far as they differ from the rates herein established, are unjust and unreasonable and that the rates herein established are just and reasonable rates.

Basing its order on the foregoing finding of fact and on the further findings contained in the opinion which precedes this order,

It is hereby ordered that Inglewood Water Company be and it is hereby authorized and directed to file with the Railroad Commission of the state of California the following schedule of rates to be charged for water delivered to its consumers:

Rate Schedule.

Minimum charge for 300 cubic feet or less.....	75 cents
From 300 cubic feet to 2,000 cubic feet, per 100 cubic feet.....	15 cents
Over 2,000 cubic feet.....	9 cents
<i>Fire service:</i>	
\$25.00 per month with hydrants as in place on January 1, 1919.	
Each additional hydrant, \$1.00 per month.	
Public use for other than fire fighting purposes at general rates.	

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-seventh day of January, 1919.

DECISION No. 6090.

IN THE MATTER OF THE APPLICATION OF EDGAR C. CHAPMAN FOR PERMISSION TO SELL THE DISTRIBUTING SYSTEM OF THE WATER WORKS OWNED BY HIM AT CHAPMAN PARK AND CORTE MADERA, MARIN COUNTY, CALIFORNIA, TO THE MARIN MUNICIPAL WATER DISTRICT.

Application No. 4293.

Decided January 28, 1919.

BY THE COMMISSION.

ORDER.

Edgar C. Chapman has applied to the Railroad Commission for authority to sell and transfer to the Marin Municipal Water District a certain water distributing system at Chapman Park, Marin County, California, consisting of water pipe lines, two 10,000-gallon wooden tanks and an electric pumping plant. Also, certain pipe lines laid in the streets, avenues, roads, lanes and alleys of the town of Corte Madera, in said county of Marin. Applicant requests that said sale and transfer be deemed to have taken place as of September 1, 1918, in order

that the income to be derived from the operation of said water distributing system may be available to said Marin Municipal Water District on and after said date.

Marin Municipal Water District having joined in the application and the commission being of the opinion that this is not a case in which a public hearing is necessary.

It is hereby ordered that the application be and the same is hereby granted, provided that when a conveyance of the property is made in accordance with this order, a certified copy thereof shall, within fifteen days, be filed with the Railroad Commission.

Dated at San Francisco, California, this twenty-eighth day of January, 1919.

DECISION No. 6094.

IN THE MATTER OF THE APPLICATION OF IDA JANE BARNETT,
DOING BUSINESS UNDER THE FICTITIOUS NAME OF OILDALE
WATER COMPANY, FOR AN ORDER AUTHORIZING THE INSTALLA-
TION OF METERS AND ESTABLISHMENT OF METER RATES AT
OILDALE, KERN COUNTY, CALIFORNIA.

Application No. 3915.

Decided January 29, 1919.

BY THE COMMISSION.

OPINION.

A hearing in the above-entitled matter was held by Examiner Westover at Bakersfield.

The application herein, as amended at the hearing, recites that applicant's water system represents an investment of approximately \$10,000.00; that about 100 consumers in Oildale, a suburb of Bakersfield, receive service; that revenues average \$150.00 per month at the present monthly rates of \$2.00 for the six summer months and \$1.50 for the six winter months, and that the expenses are greatly in excess of this sum; that many consumers use water recklessly and waste large amounts, which results in deprivation to others and adds unnecessary expense. The prayer is that excessive users be ordered to install meters, and for general relief.

The plant in question was purchased for \$2,500.00, authority for the transfer being found in Decision No. 4113 of February 19, 1917. (See Vol. 12, p. 551, Opinions and Orders of the Railroad Commission of the State of California.)

Since then applicant has made a number of additions to the plant and system but apparently is unable to satisfactorily show the amount

thereof owing to incomplete and inaccurate records. The system, as constructed, is also considerably overbuilt and the present consumers should not be required to pay rates based upon the entire investment, most of the additions consisted of second-hand materials, making it difficult to fix a fair present value, especially as to distributing system, which is not visible. The expense for maintenance and operation will be affected by the change of any considerable proportion of the consumption from a flat to a measured rate. For these several reasons we do not attempt to find a specific figure to be used herein as a rate base.

Meter rates considered adequate and reasonable, were established by Decision No. 5764, in Application No. 3783 of A. Ferguson for the sale of water in territory adjoining that served by the applicant in this proceeding. Using the same basis for estimating returns herein, applicant's gross revenue should equal about \$1,700.00 annually. An estimate of annual expense follows:

Maintenance and operation—	
Fuel and power -----	\$200 00
Repairs -----	250 00
General expense -----	700 00
Taxes -----	50 00
Depreciation -----	200 00
Total -----	\$1,400 00

The foregoing estimate is considered extremely liberal, and the estimated net return of \$300.00 the minimum that should be received by applicant with the system fully metered.

This commission has gone on record many times as favoring the sale of water and other public utility products at measured rates. The complete metering of this water supply is clearly advisable, and applicant should proceed to install meters as rapidly as practicable. It was estimated that the complete metering of the Ferguson system would result in saving half the pumping cost.

We can not grant applicant's request that the consumers be required to install the meters. Under general orders we have provided that each utility must provide every part of its property at its own cost. In certain instances, utilities have been allowed to put into effect rules and regulations providing for deposits by consumers when meters are installed at the request of consumers. Applicant herein may avail herself of such a provision.

ORDER.

Ida Jane Barnett, doing business under the fictitious name of Oildale Water Company, having applied for authority to install meters and establish metered rates in Oildale, a suburb of Bakersfield, a public hearing having been held thereon and the matter having been submitted and being now ready for decision,

It is hereby found as a fact that the application should be granted and that the rates to be charged for water delivered through meters as herein established are just and reasonable rates.

Basing its conclusion on the foregoing finding of fact and on the further findings of fact contained in the opinion which precedes this order,

It is hereby ordered that Ida Jane Barnett be and she is hereby authorized and empowered to install meters on any service through which water is delivered to a consumer and to charge and collect the following rates for water served in Oildale, California:

Monthly Metered Rates.

Between 0 and 800 cubic feet-----	25 cents per 100 cubic feet
Above 800 cubic feet-----	10 cents per 100 cubic feet
Minimum charge for each meter in use-----	\$1.00 per month

It is hereby further ordered that applicant herein file her complete schedule of rates, including the above, within thirty days from the date of this order; together with a completely revised schedule of rules and regulations, which may provide for requiring that consumers deposit the cost of installing meters, such deposits to be returned in the form of specified portions of water bills, such rules and regulations to be subject to acceptance by this commission.

Dated at San Francisco, California, this twenty-ninth day of January, 1919.

DECISION No. 6095.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AUTHORITY TO INCREASE ELECTRIC RATES.

Application No. 4064.

Decided January 30, 1919.

Requirements of trust deed not considered as compelling reason for increase of rates.

Short & Sutherland and Murray Bourne, for Applicant.

B. D. Marx Greenc, for the cities and towns of Bakersfield, Coalinga, Fowler, Fresno, Kingsburg, Madera, Maricopa, Sanger and Selma and counties of Fresno, Kern and Madera.

J. A. Hinman, for Kern County Farm Bureau.

DEVLIN, *Commissioner*.

OPINION.

San Joaquin Light and Power Corporation asks authority to increase its base rates for electric energy by an amount of twenty (20) per cent, or such other amount as the commission may deem fair and reasonable.

The commission on May 28, 1918, after a careful investigation of evidence introduced in application of the San Joaquin Light and Power Corporation (Application No. 3531), issued its Decision No. 5449 authorizing San Joaquin Light and Power Corporation to charge and collect a surcharge of 10 per cent in addition to its regular rates. This increase was to cover the estimated increased cost of operation during the year of 1918, as estimated from the evidence presented so as to allow applicant an 8 per cent return on its investment for that year.

San Joaquin Light and Power Corporation alleges in this application that due to unforeseen causes at the time of the previous application the costs of operation have materially increased over the previous estimates, and though the revenue increase has been more than estimated, applicant will have failed on December 31, 1918, to have earned 8 per cent on its investment for the year 1918 by approximately \$189,000.00. This amounts to 1.44 per cent below an 8 per cent return. The main causes for the failure to earn the return of 8 per cent, as set forth in the application, are:

1. A material increase in demands for power by agricultural and industrial uses, requiring the generation of approximately 20,000,000 kilowatt hours additional by steam.
2. A shortage of hydroelectric output of approximately 7,500,000 kilowatt hours below the previous estimate.
3. An unavoidable delay in construction of gas line to the Bakersfield steam plant, and the resultant increase in cost due to greater purchase of oil.

Applicant alleges that, as a result of these causes, and the resultant failure to earn a full 8 per cent on its property, it is not able to meet its trust deed requirements as to issuance of bonds, and can not, therefore, obtain the necessary moneys to make extensions to its system and construct new hydroelectric developments to meet the increasing demands on its system.

The exhibits in this application which are based in general upon eight months' records of actual operations and estimates for the last four months, show that the rate base, revenue and expense for the year 1918 are estimated as follows:

Rate base as of June 30, 1918.....	\$13,008,243 00
Gross revenue	2,351,500 00
Expenses other than depreciation.....	1,293,526 40
Net operation revenue.....	\$1,057,973 60
Depreciation	199,159 02
Net	\$850,814 58
Earnings less than 8 per cent.....	\$189,044 86

The operating expenses, other than the cost of fuel and purchased power, have been practically as estimated. Due to shortage of water not previously estimated, and unavoidable delay in the completion of applicant's gas pipe line by the time estimated, and after completion

failure to obtain the gas it has estimated, and to the unprecedented increased use of power, the cost of energy purchased and of oil increased approximately \$186,523.00. The gross revenue of applicant will closely approximate the commission's estimate, but due to increased use of electric energy by agricultural consumers in excess of that of previous years, the average rate per kilowatt hour received was materially reduced.

Applicant's estimate of operation for the twelve months ending June 30, 1919, show that on the basis of a normal year for 1919 applicant's earning for the year would be as follows, assuming a continuance of the present 10 per cent surcharge:

Rate base of December 31, 1918.....	\$13,868,541	85
Gross earnings	\$2,636,000	53
Expense other than depreciation.....	1,263,332	34
Net operation revenue	\$1,372,728	19
Depreciation	213,917	12
Net	\$1,158,811	07
Return in excess of 8 per cent.....	\$49,327	73

Some time has elapsed since the submission of this matter and from records of operation up to and including November 30, 1918, with estimate for December, it appears that in all probability applicant's electric earnings for 1918 will be \$195,000.00 less than an 8 per cent return. The net return, after deducting depreciation, will be approximately 6.50 per cent on the rate base.

It appears at this time that, had applicant's rates been increased by the previous decision so that by December 31, 1918, 8 per cent return would have been earned for the year 1918, a surcharge of 25 per cent on the consumers' bills would have been required for the last seven months. A 15 per cent surcharge applied for twelve months would, however, have resulted in obtaining 8 per cent return for 1918, and would have been less burdensome on consumers.

In Decision No. 5449 in the previous Application No. 3531, where applicant was granted by the commission an increase of 10 per cent, after discussing the need of maintaining applicant in a strong financial condition during the national emergency, the presiding commissioner states:

"I see no reason for reducing the return of 8 per cent which this commission allowed in Decision No. 3241, even though operating expenses will very largely increase this year."

He thereafter recommends a 10 per cent surcharge be applied to all bills. The resultant estimated revenue should, it was believed, have

returned applicant sufficient to net an 8 per cent return by December 31, 1918. It is further stated that:

"If the estimates herein made prove to be in all respects correct, the 'surcharge' will meet this year's obligations by the end of 1918. If the revenue should prove to be greater or the cost of service less than herein estimated, the surcharge can be remitted prior to December 31, 1918, while if the contrary should prove to be true, it can be permitted to remain in effect for such time as may be necessary subsequent to December 31, 1918. In this way, a flexible system will be provided by which, whenever 1918's obligations have been met, the surcharge will be automatically terminated."

It appears, from the evidence now before the commission, that due to unforeseen conditions, the surcharge granted was not sufficient to give the necessary return, and that applicant will, in all probability, not recoup for 1918 the deficit below an 8 per cent return before the last of 1919, or first of 1920, unless the surcharge is further increased.

Applicant's hydroelectric power plants were short of an average output by approximately 30,000,000 kilowatt hours in 1918, and at least 55,000,000 kilowatt hours short of what would be produced during a normal year. At the price of oil in effect in 1918, this represents a cost above the average of approximately \$250,000.00 per annum, and approximately \$400,000.00 more than would have occurred had 1918 been a year of normal rainfall. It is apparent to me, therefore, that with the 10 per cent surcharge applied continuously, applicant would receive over a cycle of years on the average slightly in excess of 8 per cent return.

Applicant is faced with the urgent necessity of further developments of hydroelectric power. Its present plants are not sufficient to meet the demands of existing consumers and those whose applications have been already filed with the company unless at least normal water conditions prevail and only then by operation of its steam plant to full capacity. Development of hydro plants without further delay must be made in order that a serious shortage of power be averted and also that the development of the San Joaquin Valley be not interfered with due to lack of available power for agriculture and for industrial developments.

Applicant presents a plan for the development of a 15,000 kilowatt plant on San Joaquin River requiring an investment of approximately \$1,750,000.00 to be expended in the next eighteen months. In addition to this, extension and improvements to its existing transmission and distribution system will require further expenditures of approximately \$1,250,000.00, or a total of \$3,000,000.00 during 1919, and the first part of 1920. Applicant contends that it must obtain most of this money from the sale of bonds.

Applicant's trust deed requires that its net earnings for the preceding twelve months must be twice the interest on bonds outstanding and

bonds to be issued before bonds can be issued. On the basis of evidence presented, applicant will in all probability be able to issue slightly in excess of \$1,000,000.00 of bonds by the showing on June 30, 1919, if the present surcharge continues. With a 20 per cent surcharge for six months prior to that date, it has been estimated that at least \$2,000,000.00 of bonds can be issued by the time the June statement is available. No bonds can be issued prior to the February showing. Applicant believes that it can sell the bonds which can be issued under the trust deed at a fair figure.

I do not consider the requirements of the trust deed as a compelling reason for an increase of rates. In this case, however, applicant has failed to earn the rate of return which this commission in its Decisions Nos. 3241 and 5449 found to be fair and reasonable. I see no reason at this time to consider a lesser return fair.

Rates should possess reasonable stability and not be subject to fluctuation from year to year with variation in cost caused by fluctuation in supply of hydro power. In general, applicant's consumers can least afford to pay increased rates during dry years and should not be required to. It must be expected that in wet years applicant's net return will exceed the average, and in dry years fall below the average. To make possible the ready financing through bonds by applicant within a period of a few months would require a material increase of rates at this time. The existing customers of applicant must be given consideration and not be burdened with an excessive increase for a short period of time in order that special financing might be carried out by applicant to meet new developments. New developments, however, are necessary, and the sooner they are made, the sooner will reduced rates be possible.

A surcharge of 15 per cent on the company bills to consumers if applied for approximately twelve months will for 1919 estimated conditions result in a net return sufficient to net applicant an average of 8 per cent return for the two years of 1918 and 1919 and also make possible the issuance by San Joaquin Light and Power Corporation of approximately \$3,000,000.00 of bonds by December 31, 1919. The above is based upon a normal rainfall year for 1919.

Considering both the right of existing consumers and of new consumers as well as the needs of the utility and the need of further development of power in the San Joaquin Valley it is my opinion that a surcharge of 15 per cent is a reasonable and fair one to charge.

On the basis of 1918 conditions, such a surcharge applied for twelve months would have resulted in an increase sufficient to net applicant 8 per cent even under the special condition of drought existing. Applied

to the first six months of 1919, the additional charge should make possible the issuance of bonds in the sum of \$450,000.00 in excess of that under the existing surcharge.

I recommend that applicant be granted authority to charge a surcharge of 15 per cent on all bills based on regular meter readings taken on and after February 15, 1919, and for all flat rate service rendered on and after February 1. The commission will keep careful account of applicant's revenues and expenses from month to month and in case the surcharge returns applicant the necessary revenue prior to January, 1920, such steps as appear necessary will be taken to remove same.

I recommend that the entire surcharge of 15 per cent herein authorized automatically terminate as set forth by the commission in this order in January, 1920, unless further ordered prior to January 15, 1920.

I submit herewith the following form of order:

ORDER.

San Joaquin Light and Power Corporation having filed herein its petition asking authority to increase its rates charged for electric energy by making a temporary surcharge as indicated in the opinion which precedes this order, public hearings having been held, this proceeding having been submitted and being now ready for decision.

The Railroad Commission hereby finds as a fact that the existing rates for electric energy sold by the San Joaquin Light and Power Corporation together with the surcharge now authorized are, under existing conditions, unjust and unreasonable and that the rates herein established are just and reasonable rates.

Basing its order on the foregoing finding of fact and on the other findings of fact which are contained in the opinion which precedes this order,

The Railroad Commission hereby authorizes San Joaquin Light and Power Corporation to charge and collect a temporary surcharge of fifteen (15) per cent to be added on each and every bill for electric service, based on the regular filed schedules, rates and contracts, effective for all regular meter readings taken on and after February 15, 1919, and prior to January 15, 1920, where metered service is rendered and effective for all flat rate service rendered on and after February 1, 1919, and prior to January 31, 1920, unless ordered otherwise by this commission prior to January 15, 1920, upon the following conditions:

1. This order shall not be construed as disturbing the structure of rates established by this commission in Decision No. 3241, to be charged by San Joaquin Light and Power Corporation; but said corporation, in addition to showing on its bills for electric energy the amount due under the rates heretofore established by this commission in said decision, shall also show separately the surcharge herein authorized.

2. This proceeding is hereby kept open and the Railroad Commission hereby retains jurisdiction to issue a supplemental order terminating such surcharge whenever the revenues of San Joaquin Light and Power Corporation received thereunder shall be sufficient for the purpose specified in the opinion which precedes this order, and to make such other order or orders as may seem just and proper.

The Railroad Commission hereby orders that San Joaquin Light and Power Corporation shall file with the Railroad Commission on or before the thirtieth day of each month, reports in such form as may be prescribed by the commission, showing the results of its operations from electric business and such other information as the commission may designate from time to time.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this thirtieth day of January, 1919.

DECISION No. 6096.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA
EDISON COMPANY FOR AUTHORITY TO ISSUE CERTAIN BONDS
AND DEBENTURES.

Application No. 4310.

Decided January 31, 1919.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

The Railroad Commission having authorized Southern California Edison Company by Decision No. 6077, dated January 23, 1919, to issue \$8,000,000.00 of its general and refunding 25-year 6 per cent bonds due January 1, 1944, and \$8,000,000.00 of its 10-year 7 per cent serial debentures subject, among others, to the condition that none of the bonds or debentures shall be issued until the Railroad Commission has approved the amendment to applicant's general and refunding mortgage dated July 1, 1917, and the debenture agreement defining the terms and conditions under which the \$8,000,000.00 of debentures may be issued, and Southern California Edison Company, on January 30, having filed with the commission a supplemental petition in the above-entitled matter, in which it asks the Railroad Commission to authorize it to execute an amendment to its general and refunding mortgage, said amendment to be substantially in the same form as

the amendment attached to the supplemental petition and marked Exhibit "A"; to execute a debenture agreement substantially in the same form as the debenture agreement attached to the supplemental petition and marked Exhibit "B"; to issue \$1,978,000.00 face value of bonds for the purpose of refunding the \$1,978,000.00 of "Debentures of 1915" and to change the due date of the \$8,000,000.00 of bonds authorized in Decision No. 6077, from January 1, 1944, to February 1, 1944, and the Railroad Commission having by Decision No. 4483, dated July 25, 1917 (Vol. 13, Opinions and Orders of the Railroad Commission of California, p. 562), authorized Southern California Edison Company to issue \$1,978,000.00 face value of bonds to refund \$1,978,000.00 face value of "Debentures of 1915," and applicant having reported that it appropriated \$1,978,000.00 of bonds of "Series of 1917" to refund said debentures, that none of said bonds have been issued and that it does not intend to issue any more bonds of "Series of 1917" but may refund the "Debentures of 1915" through the issue of bonds of "Series of 1919," and therefore asks a modification of Decision No. 4483, dated July 25, 1917, and it appearing to the Railroad Commission that applicant's supplemental petition herein should be granted; now, therefore,

It is hereby ordered that Decision No. 4483, dated July 25, 1917, be and it is hereby amended so as to permit Southern California Edison Company to issue subject to the conditions of Decision No. 4483, dated July 25, 1917, \$1,978,000.00 of bonds of "Series of 1919" for the purpose of refunding the \$1,978,000.00 of "Debentures of 1915."

It is hereby further ordered that the order in Decision No. 6077, dated January 23, 1919, be and it is hereby amended so as to permit Southern California Edison Company to issue \$8,000,000.00 of its general and refunding 25-year 6 per cent bonds due February 1, 1944, in lieu of the \$8,000,000.00 of its general and refunding 25-year 6 per cent bonds due January 1, 1944.

It is hereby further ordered that Southern California Edison Company be and it is hereby granted authority to execute an amendment to its general and refunding mortgage dated July 1, 1917, said amendment to be substantially in the same form as the amendment attached to the supplemental petition herein and marked Exhibit "A."

It is hereby further ordered that Southern California Edison Company be and it is hereby granted authority to execute a debenture agreement substantially in the same form as the debenture agreement marked Exhibit "B" and attached to the supplemental petition herein.

The approval herein given of said amendment and said debenture agreement is for the purpose of this proceeding only, and an approval in so far as this commission has jurisdiction under the terms of the

Public Utilities Act, and is not intended as an approval of said amendment and said debenture agreement as to such other legal requirements to which said amendment and debenture agreement may be subject.

It is hereby further ordered that Decision No. 4483, dated July 25, 1917, and the order in Decision No. 6077, dated January 23, 1919, shall remain in full force and effect, except as modified by this supplemental order.

Dated at San Francisco, California, this thirty-first day of January, 1919.

DECISION No. 6097.

IN THE MATTER OF THE APPLICATION OF COAST COUNTIES GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER TO ISSUE A NOTE OF EIGHTEEN THOUSAND FIVE HUNDRED DOLLARS (\$18,500.00) TO THE BANK OF CALIFORNIA, NATIONAL ASSOCIATION, IN RENEWAL OF TWO OUTSTANDING NOTES.

Application No. 4320.

Decided February 1, 1919.

L. W. Pryor, for Applicant.

MARTIN, *Commissioner.*

OPINION.

Coast Counties Gas and Electric Company asks authority to issue to The Bank of California, National Association, an \$18,500.00 note for a term of two years or less.

Applicant reports that it has outstanding two 6 per cent notes, one for \$11,500.00, the other for \$7,000.00, payable February 1, 1919, to The Bank of California, National Association. These two notes applicant intends to renew through the issue of a note for the sum of \$18,500.00.

The \$11,500.00 referred to is the balance due on a \$23,000.00 note issued pursuant to the order in Decision No. 5067, dated January 24, 1918. The issue of the \$7,000.00 note referred to has never been authorized by the Railroad Commission. The record shows that the money obtained from the original notes was expended on capital account.

I herewith submit the following form of order:

ORDER.

Coast Counties Gas and Electric Company having applied to the Railroad Commission for authority to issue an \$18,500.00 note to The Bank of California, National Association, a public hearing having been held and it appearing that the money, property or labor to be procured

by the issue of the note is reasonably required for the purpose specified in the order, and that such purpose is not in whole or in part reasonably chargeable to operating expenses or to income.

It is hereby ordered that Coast Counties Gas and Electric Company be and it is hereby granted authority to issue, for not less than the face value thereof, a promissory note to The Bank of California, National Association, in the principal sum of \$18,500.00, payable six months after date and bearing interest at not to exceed 6 per cent per annum.

The authority herein granted is upon the following conditions, and not otherwise:

(1) The proceeds from the issue of the note herein authorized shall be used by applicant to pay the notes referred to in the petition herein.

(2) Applicant may renew the note herein authorized to be issued from time to time, provided that the term of the note herein authorized, together with the notes issued in renewal thereof, shall not exceed two years.

(3) Coast Counties Gas and Electric Company shall report to the Railroad Commission within twenty days after the issue of the note herein authorized the fact and date of issue, the face value of the note, the rate of interest and the application of the proceeds, all in accordance with the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(4) The authority herein granted is conditioned upon the payment by applicant of the fee prescribed by the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this first day of February, 1919.

DECISION No. 6099.

IN THE MATTER OF THE APPLICATION OF CALIFORNIA SOUTHERN
RAILROAD COMPANY FOR AN ORDER AUTHORIZING THE ISSUE
OF STOCKS AND BONDS.

Application No. 1790.

Decided February 1, 1919.

Ward Chapman, for California Southern Railroad Company.

Oliver O. Clark, for Blythe Construction Company.

Lucius K. Chase and Bert Campbell, for certain settlers of Palo Verde Valley.

MARTIN, *Commissioner.*

SECOND SUPPLEMENTAL OPINION.

On February 25, 1918, California Southern Railroad Company filed with the Railroad Commission, in the above-entitled matter, a supple-

mental petition wherein it asks the Railroad Commission to dismiss the supplemental petition filed April 2, 1917. Applicant also asks that a settlement of the construction accounts between Blythe Construction Company and California Southern Railroad Company and an adjustment of the capital account of the latter company be approved as set forth in the exhibits attached to the supplemental petition filed February 25, 1918.

It will be desirable to review briefly the history and present status of the proceeding.

By Decision No. 2910, dated November 19, 1915, the Railroad Commission authorized applicant, subject to certain conditions, to issue on or before December 31, 1916, \$360,000.00 par value of common stock, \$350,000.00 of first mortgage 6 per cent bonds, and \$400,000.00 of second mortgage 6 per cent bonds.

Applicant reports that it has issued \$171,100.00 of the stock, \$213,000.00 of first and \$262,000.00 of second mortgage bonds, or a total of stock and bonds of \$646,000.00. The order of the commission provided that of the \$360,000.00 of stock, \$75,000.00 might be issued to J. M. Neeland for services rendered in connection with the organization and promotion of the California Southern Railroad Company. The proceeds from the sale of the remaining stock, as well as the proceeds from the sale of the bonds, were to be used for the construction of applicant's line of railway from Blythe to Blythe Junction, in Riverside County, in accordance with the contract between applicant herein and Blythe Construction Company, a copy of which was filed with the Railroad Commission and marked Exhibit "A," or for such other purposes as the commission might authorize by a supplemental order.

The construction contract between applicant and Blythe Construction Company contemplated the construction of the road for a total contract price of \$677,250.00 in accordance with the engineers' estimate and specifications made part of the construction contract, dated March 30, 1915. The construction contract provided that

"If changes are to be made diminishing or increasing the quantity or extent of the work covered in the contract, the amount payable to the contractor shall then be diminished or increased proportionally and in accordance with the price specified in the contractor's estimate referred to."

The construction of applicant's road was begun on April 1, 1915. The testimony shows that the Blythe Construction Company completed the road on August 8, 1916, and that it was turned over to the operating department on November 1, 1916. In building the road, Blythe Construction Company did not follow the original contract specifications. Adjustments of the contract price became necessary and applicant proposed to settle with Blythe Construction Company for \$575,225.04.

This settlement was analyzed by the commission's engineering department which suggested a settlement at \$536,021.44. The reasons for the revision of the settlement figure are set forth in the commission's Exhibit No. 1, filed on May 24, 1917. Applicant has informed the commission that it is willing to settle with the Blythe Construction Company at \$536,021.44, and asks the commission to approve this settlement.

At the time the applicant submitted to the commission its original settlement figure, it contemplated—and later actually did—file a supplemental petition for authority to issue securities to effect the settlement with the Blythe Construction Company. In the petition filed on April 2, 1917, applicant asks authority to issue \$10,000.00 of its first mortgage 6 per cent bonds and \$90,000.00 of its second mortgage 6 per cent bonds and \$68,000.00 of common stock for the purpose of effecting a settlement with the construction company and of completing the capitalization of its road. This supplemental petition applicant now asks to have dismissed. Had the commission been called upon to pass upon the supplemental petition filed on April 2, 1917, the reasonable cost and value of applicant's road would become important factors in the commission's decision.

The supplemental petition filed on February 25, 1918, and the testimony offered in support thereof, present a different situation. It is now alleged, and the testimony shows, that the railroad company can effect a settlement with the Blythe Construction Company without the issue of any additional stocks and bonds. The testimony further shows that applicant will be able to meet all of its obligations set forth in the supplemental petition filed on February 25, 1918, without resorting to the issue of additional securities.

It is not customary for the commission to approve settlements between public utilities and contractors and there is nothing in the previous orders made by this commission in this application that would require the approval of the commission of such a settlement in this case. It is a fact, however, that the commission has been advised of the relations between the railroad company and the construction company since prior to the beginning of the construction of the line and has at all times had complete access to the records of both the carrier and the contractor. The detailed construction and financial history of the applicant is therefore known to the commission. This knowledge enables the commission to reach the conclusion that in a settlement between the railroad company and the construction company the railroad company under no circumstances should pay to the contractor a sum in excess of the proposed settlement figure, viz. \$536,021.44.

I do not believe it necessary, however, for the commission formally to pass upon the proposed settlement. The proposed settlement figure,

of course, can not in any sense be construed as a finding of the value of this railroad for rate fixing or any other purpose and no such issue is at this time present for the commission's consideration.

As stated, the testimony shows that applicant can meet all of its obligations referred to in the supplemental petition filed on February 25, 1918, without the issue of any additional securities. The commission should not authorize applicant to issue any additional stocks, bonds, notes or other evidences of indebtedness to capitalize its existing properties. Further issue of securities, if necessary, should be confined to the purpose of financing extensive improvements, or the construction of extensions, additions and betterments to applicant's properties.

I herewith submit the following form of order:

THIRD SUPPLEMENTAL ORDER.

California Southern Railroad Company having filed supplemental petitions herein as outlined in the foregoing supplemental opinion, a hearing having been held, and the commission being of the opinion that the supplemental petitions referred to in the foregoing supplemental opinion should be dismissed without prejudice,

It is hereby ordered that the supplemental petition filed in the above-entitled matter on April 2, 1917, and the supplemental petition filed in the above-entitled matter on February 25, 1918, be and the same are hereby dismissed without prejudice, the former at the request of applicant, the latter for the reasons stated in the foregoing supplemental opinion.

The foregoing second supplemental opinion and third supplemental order are hereby approved and ordered filed as the second supplemental opinion and third supplemental order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this first day of February, 1919.

DECISION No. 6100.

IN THE MATTER OF THE APPLICATION OF SAN FRANCISCO-OAKLAND TERMINAL RAILWAYS FOR AUTHORITY TO ISSUE ITS PROMISSORY NOTE IN RENEWAL OF AN OUTSTANDING PROMISSORY NOTE.

Application No. 4266.

Decided February 1, 1919.

W. H. Smith, for Applicant.

EDGERTON, Commissioner.

OPINION.

San Francisco-Oakland Terminal Railways asks authority to issue to Realty Syndicate Company, its one-year promissory note in the principal sum of \$56,636.74.

The record shows that on April 9, 1914, San Francisco-Oakland Terminal Railways issued to the Realty Syndicate Company its six-months' 6 per cent promissory note in the principal sum of \$45,682.50 in payment for tracts of land used by applicant for right of way purposes. The interest was paid on this note to December 31, 1914. Since then no interest has been paid. The accrued interest amounts to \$10,954.24. It was applicant's original intention to add the accrued interest to the principal of the original note and to issue to Realty Syndicate Company its note for \$56,636.74. The commission is now advised that applicant will issue two notes, one to cover the principal, \$45,682.50; the other the accrued interest, \$10,954.24. The authority herein granted is based upon the facts and circumstances of this case and should not be interpreted as a precedent.

I herewith submit the following form of order:

ORDER.

San Francisco-Oakland Terminal Railways having applied to the Railroad Commission for authority to issue notes, a public hearing having been held and it appearing to the commission that this application should be granted,

It is hereby ordered that San Francisco-Oakland Terminal Railways be and it is hereby granted authority to issue, within thirty days after the date hereof, to Realty Syndicate Company its one-year 6 per cent promissory note for the principal sum of \$45,682.50 for the purpose of paying or refunding the indebtedness represented by the note issued to Realty Syndicate Company on April 9, 1914, and its one-year 6 per cent promissory note for the principal sum of \$10,954.24 for the purpose of paying or refunding accrued interest on said indebtedness, provided that applicant shall file with the commission a report as required by the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order; and provided further, that the authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this first day of February, 1919.

DECISION No. 6100½.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA
EDISON COMPANY FOR AUTHORITY TO INCREASE ITS ELECTRIC
RATES.

Application No. 3955.

Decided February 11, 1919.

Held, that merely for purpose of maintaining all consumers on an exact parity, commission should not compel a utility to charge rates which will annihilate its service in competitive territory.

Held, that losses due to competitive conditions must be absorbed by company, and in no case made a charge against noncompetitive territory.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

Southern California Edison Company asks for a modification of the order herein dated December 21, 1918, whereby it will be authorized to waive the surcharge authorized by the commission to be imposed upon consumers of electricity in the city of Pasadena and vicinity.

This request is based upon the competitive condition in this community between electric service rendered by the municipality of the city of Pasadena and that which is rendered by this company. The imposition of the surcharge upon the rates theretofore in effect on the service rendered by the company would at once put the company at the disadvantage of charging more than its competitor.

We have, after very careful consideration, determined that the company's request must be granted. To hold otherwise would mean that the commission would deny the right of a utility company to maintain its existence by meeting the rates of its competitor.

The commission would not ordinarily acquiesce in a company's desire to give lower rates to a portion of its consumers as compared with the rest even though the company were willing to absorb a resulting loss, because this would be discrimination not justifiable upon the sole ground that the company wished out of its own earnings to favor certain consumers. But this is a different situation. The company faces a municipal competitor which is charging low rates and it must either meet these rates or retire from the field. Retiring from the field would mean a loss of a very considerable part of the investment and a giving up of a market for power. Merely for the purpose of maintaining all consumers on an exact parity we should not compel a company to charge rates which will annihilate its service in competitive territory.

Of course it is true that if we permit municipal competition to be met in a given community it should at all times be made definite and certain that consumers in noncompetitive territory be not burdened with the slightest additional cost or charge for service because of the

comparatively lower rates in the competitive territory. If this condition be met we are convinced that no undue discrimination results where the rates in noncompetitive territory are fixed on a basis of reasonableness and are as low as they can be made considering the usual factors of operating expense, depreciation and reasonable return on investment.

The company itself must absorb the lessened return or loss occasioned by the low competitive rates.

It is therefore hereby ordered that Southern California Edison Company is hereby authorized to except from the order heretofore made on the twenty-first day of December, 1918 (Decision No. 6000), all consumers of electric service furnished by it in the district embraced in the city of Pasadena and South Pasadena where such service is in competition with that furnished by the municipality of Pasadena.

Provided, however, that said Southern California Edison Company shall within thirty days from the date of this order submit for the approval of the commission a plan or method whereby it shall at all times be kept definite and certain that the waiving of the surcharge in the communities involved shall not in any degree whatever result in increased rates to consumers in other territory.

Provided, further, that Southern California Edison Company shall file within ten days from the date of this order as a part of its rate schedule a statement setting forth the territory in which the surcharge will not be charged.

Dated at San Francisco, California, this eleventh day of February, 1919.

DECISION No. 6101.

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA FOR A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE EXERCISE OF RIGHTS AND PRIVILEGES UNDER A FRANCHISE GRANTED TO IT BY THE COUNTY OF LOS ANGELES BY ORDINANCE NUMBER FIVE HUNDRED (NEW SERIES).

Application No. 3699.

Decided February 13, 1919.

Hunsaker, Britt and Le Roy M. Edwards, for Applicant.

O'Melveny, Milliken & Tuller, by R. V. Reppy, for Southern California Gas Company.

LOVELAND, Commissioner.

OPINION.

This is an application by Southern Counties Gas Company for a certificate that public convenience and necessity require the exercise of rights and privileges under a franchise granted to it by the county of

Los Angeles by Ordinance No. 500 (new series). Applicant shows that it is engaged in the business of distributing gas in certain sections of the counties of Los Angeles and Orange; that many of the franchises in the county of Los Angeles under which applicant has heretofore been operating have expired, and without franchises it is unable to further extend its operations; that applicant applied to the board of supervisors of the county of Los Angeles for a new franchise, and that the board of supervisors of the county of Los Angeles, in compliance with the statutes of the state of California, duly passed its Ordinance No. 500 (new series), on the twenty-fifth day of February, 1918, wherein and whereby applicant was granted a franchise for a period of forty years to lay and maintain gas pipes in certain highways in the county of Los Angeles, and which franchise is operative in certain territory set forth in detail in said Ordinance No. 500 and delineated on a map attached to the petition herein.

It further appears that in certain of the territory in which applicant has been granted the rights and privileges and franchise set forth in said Ordinance No. 500, that one or more other gas utilities are engaged in supplying gas to certain of the inhabitants thereof. Applicant states that it is not its intention or desire to extend its pipes or mains in any territory now served by a similar utility.

A hearing was held in Los Angeles on May 4, 1918, at which time evidence was introduced and the matter submitted. Subsequent to the hearing, namely, on the thirtieth day of January, 1919, the board of directors of said Southern Counties Gas Company by resolution duly stipulated that it, its successors and assigns, will never claim before the Railroad Commission or any court or other public body a value for the rights and privileges and franchise granted under said Ordinance No. 500 (new series), of the county of Los Angeles in excess of the actual cost to said applicant of acquiring said franchise, which cost is stated in said stipulation to be the sum of \$643.95. This stipulation has been duly filed with the Railroad Commission, and is in form satisfactory to this commission in so far as may be necessary for the purposes of this proceeding.

I find as a fact that public convenience and necessity require the exercise by Southern Counties Gas Company of the right, privilege and franchise granted by said Ordinance No. 500 (new series) of the county of Los Angeles in that portion of the territory described therein except as noted in the order hereinafter.

I submit the following form of order:

ORDER.

Southern Counties Gas Company having applied to the Railroad Commission for a certificate that public convenience and necessity require the exercise of the rights and privileges under a franchise granted to it

by the county of Los Angeles by Ordinance No. 500 (new series), a hearing having been held, the matter submitted, and Southern Counties Gas Company having stipulated, in form satisfactory to this commission, as to its claim for the value of said franchise.

The Railroad Commission of the state of California does hereby certify and declare that public convenience and necessity require the exercise by Southern Counties Gas Company of the right, privilege and franchise granted by said Ordinance No. 500 (new series), of the county of Los Angeles, in that portion of the territory described therein, excepting that until further order of this commission, the right, privilege and franchise granted by said ordinance shall not be exercised at any points within said territory which are within one-half mile of the pipes, pipe lines or appurtenances connected therewith for supplying gas, of any other gas utility now operating in the territory described in said ordinance No. 500 (new series) of the county of Los Angeles.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this thirteenth day of February, 1919.

DECISION No. 6102.

IN THE MATTER OF THE APPLICATION OF INVESTMENT WATER COMPANY AND SENTINEL HEIGHTS WATER COMPANY FOR AN ORDER AUTHORIZING THE EXCHANGE AND TRANSFER OF PROPERTIES AND ISSUE OF CAPITAL STOCK.

Application No. 4286.

Decided February 13, 1919.

Flint & Jutten, by F. R. Williams, for Applicants.
LOVELAND, *Commissioner.*

OPINION.

Sentinel Heights Water Company asks authority to transfer its properties to Investment Water Company. The latter company joins in the application and asks permission to issue at par \$30,000.00 of its common capital stock for the purpose of acquiring the properties.

A description of the properties, which Sentinel Heights Water Company intends to sell to Investment Water Company, is contained in Exhibit "I," attached hereto. The properties are located in Tracts No. 1700 and No. 1798, extending from First to Fifth avenues, inclusive, and from Vernon avenue south to Fifty-second street, adjacent to the city of Los Angeles. The record shows that 237 consumers are connected with the water system referred to herein. Applicants esti-

mate the value of the properties at \$30,000.00. The engineering department of the Railroad Commission has made an appraisal of the properties and estimates the reproduction cost new at \$37,390.00 and the reproduction cost new less depreciation at \$31,160.00. In a letter of February 5, 1919, counsel for applicant advised the commission that they found the appraisal made by the commission's engineers satisfactory and that they were willing to accept the same.

On or about February 15, 1913, Los Angeles Investment Company caused to be organized the Sentinel Heights Water Company with an authorized capital stock of \$1,000,000.00, divided into 1,000,000 shares of the par value of \$1.00 each. Sentinel Heights Water Company issued stock in the amount of \$300,050.00. All of its outstanding stock is owned by the Los Angeles Investment Company. To bring about a closer relationship between the value of the properties and the amount of stock issued against the properties, Los Angeles Investment Company has caused to be organized on or about November 18, 1918, the Investment Water Company with an authorized capital stock of \$30,000.00, divided into 30,000 shares of the par value of \$1.00 each. If this application is granted, the \$30,000.00 of stock of the Investment Water Company will be issued to Sentinel Water Company in exchange for its properties and in turn will be delivered by the Sentinel Heights Water Company to the Los Angeles Investment Company in exchange for the \$300,050.00 of Sentinel Heights Water Company stock outstanding. It is the intention of applicants, as soon as this transaction is consummated, to dissolve the Sentinel Heights Water Company. The granting of this application will involve, for all practical purposes, no change in the management of this water system and no one has appeared at the hearing to protest against the issue of the \$30,000.00 of stock.

I herewith submit the following form of order:

ORDER.

Sentinel Heights Water Company having applied to the Railroad Commission for permission to sell its properties to the Investment Water Company and the latter company having requested permission to purchase the same and to issue in payment therefor \$30,000.00 of common capital stock, a public hearing having been held and the commission being of the opinion that this application should be granted and that the money, property or labor to be procured or paid for by the issue of \$30,000.00 of stock is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Sentinel Heights Water Company be and it is hereby granted authority to sell to the Investment Water Company the properties described in Exhibit "I," attached hereto.

It is hereby further ordered that Investment Water Company be and it is hereby granted authority to issue, at not less than par, in payment for the properties described in Exhibit "I," attached hereto, \$30,000.00 par value of its common capital stock.

The authority herein granted is upon the following conditions, and not otherwise:

(1) The consideration at which the public utility properties are herein authorized to be transferred shall not be considered as a measure of value of said properties before this commission, or any other public body, for rate fixing, or any purpose other than the transfer herein authorized.

(2) Within thirty days after the execution by petitioners herein of an instrument of conveyance transferring the properties herein referred to, a certified copy of said instrument of conveyance shall be filed with the Railroad Commission by the Investment Water Company.

(3) Investment Water Company shall keep a true and accurate record of the issue of the stock herein authorized, and on or before the twenty-fifth day of each month shall file with the Railroad Commission a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(4) The authority herein granted to transfer property and issue stock shall apply only to such property as may be transferred and to such stock as may be issued on or before May 1, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this thirteenth day of February, 1919.

EXHIBIT "I."

The property which Sentinel Heights Water Company intends to transfer to the Investment Water Company for \$30,000.00 of common capital stock is in Exhibit "F-1" and Exhibit "F-2" described as follows:

Lots 197 to 200, both inclusive, and Lots 245 to 252, both inclusive, of Tract 1700, as recorded in Book 22, page 29, Miscellaneous Records.

Pump house building is a frame building with concrete floor.

Wells consist of three 12" wells, together with reinforced concrete pits 12 ft. in diameter and approximately 30 ft. deep.

Pumps—2 Turbine pumps and motor capacity 825 gallons per minute against 225 ft. head, together with all fittings, suction lines, discharge lines, gates, valves, etc.

Pipe lines are located as follows:—On First, Second, Third, Fourth and Fifth Avenues from the south line of Tract 1798 and extending north 2004 lineal feet to Vernon Avenue as extended. The above mentioned pipe line is 4" standard cast iron pipe. Pipe line on Vernon Avenue consisting of 8" standard cast iron pipe and running from the intersection of Vernon Avenue and First Avenue to a point 4803 ft. westerly. 1185 ft. of 8" standard cast iron pipe from the corner of Vernon Avenue and Fifth Avenue to a point 1185 ft. south. 127 ft. of 8" O. D. casing running from Fifth Avenue to pumping plant. Also, 1584 ft. of 8" O. D. casing running from the extension of Vernon Avenue to water tank located on a portion of that property known as the St. Vincent College Site.

Redwood tank 50,000 gallon capacity, together with concrete foundation and including all fittings, gates, etc. for same.

Approximately 200 service meters, installed, together with service pipes from discharge main to curb.

Together with all other property and assets.

DECISION No. 6103.

IN THE MATTER OF THE APPLICATION OF CONTRA COSTA GAS COMPANY, ASKING THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA TO FIX ITS RATES CHARGED FOR GAS.

Application No. 4168.

Decided February 13, 1919.

S. Waldo Coleman, for Applicant.

B. D. Marx Greene, for the town of Antioch and city of Pittsburg.

T. D. Johnston, district attorney, and *A. S. Ormsby*, chief deputy district attorney, for county of Contra Costa.

BY THE COMMISSION.

OPINION.

This is an application of Contra Costa Gas Company asking that the Railroad Commission grant it authority to add to its gas rates a surcharge of such amount as the commission may find proper, on the ground that some surcharge at this time is necessary to offset the increase in the price of oil from \$1.55 to \$1.70 per barrel, under contract, which it will have to pay on and after March 1, 1919, and to meet increased costs of material, labor, other expenses and increases in taxes.

A hearing was held before Examiner Westover at Martinez.

On March 4, 1918, this commission, in its Decision No. 5177, granted applicant an increase in gas rates. At that time the commission found that, due to the increase in price of oil from 70 cents to \$1.55 per barrel and to other increases in operating expenses, Contra Costa Gas Company, which earned only 6.53 per cent for depreciation and return during the year 1917, would have this return reduced to a point where it would have insufficient funds to meet its actual operating expenses during 1918 unless relief in the form of increased rates was granted.

The increase in rates set forth in Decision No. 5177 was estimated at that time to produce a revenue of approximately \$1.54 per thousand cubic feet of gas sold, which would place applicant on about the same basis for 1918 as during the year 1917 under the former rates.

From the evidence herein it appears that due to careful operation applicant has realized a return somewhat in excess of that estimated in the former decision. If the increase granted on March 4, 1918, had occurred January 1, 1918, and applied throughout that entire year, the probable net earnings available for return and depreciation would have been 6.9 per cent, as shown in the table found below. But for the further increases in expenses referred to, applicant would not need and would not have applied for increase in rates.

Applicant estimates that during the year ending October 31, 1919, it will earn for depreciation and return, 5.9 per cent upon its investment

at present rates, with oil at \$1.70 per barrel on and after March 1, 1919, and with the increased operating expenses which it claims will occur in this period.

Extending applicant's figures for the year ending October 31, 1919, to the year ending March 1, 1920, or one year's operation under the new oil price of \$1.70 per barrel, we find that applicant will earn approximately 5.9 per cent on invested capital for depreciation and return at the present rates. Applicant should be allowed sufficient increase in its rates to cover the increased cost of oil and other expenses, and place its earnings on the same basis as it enjoyed in 1918.

The following table sets forth the actual conditions for the ten-month period ending October 31, 1918, together with the estimate for the year ending December 31, 1918, assuming the rates established in former Decision No. 5177 to have been effective during the entire year of 1918, also the applicant's estimate for the year ending October 31, 1919, and the Commission's estimate for the year ending March 1, 1920. In each instance taxes are included in expenses, but depreciation, estimated in Decision No. 5177 at 2.13 per cent, has not been included under operating expenses.

	10 months ending Oct. 31, 1918, oil at 70 cents prior to Feb. 28, 1918, and \$1.55 thereafter	Year ending Dec. 31, 1918, assuming present rates in effect during entire year and oil at \$1.55 per barrel	Applicant's estimate-- Year ending Oct. 31, 1919, assuming present rates and oil \$1.70 after March 15, 1919	C. R. C. estimate-- Year ending March 1, 1920, oil at \$1.70 and assuming increase in rates as herein established
Consumers	1,990	2,007	2,249	2,300
Gas sales (cubic feet).....	45,952,000	55,500,000	60,720,000	62,100,000
Capital	\$261,000	\$263,000	\$280,000	\$285,000
Revenue	\$67,453	\$87,172	\$94,877	\$99,500
Expenses	54,765	69,139	78,420	78,350
Net for depreciation and return...	\$12,688	\$18,033	\$16,457	\$21,150
Per cent on capital.....	4.86	6.87	5.9	7.4

From the foregoing analysis it appears that by increasing applicant's present rates to the rates herein established, it will earn approximately the same return upon its investment that has resulted from the rates fixed last March. The new rates found in the order are higher than the present rates for general service by 5 cents per thousand cubic feet for monthly consumption between 500 and 8,000 cubic feet, and 10 cents per thousand cubic feet for monthly consumption over 8,000 cubic feet, and by 5 cents per thousand cubic feet for hotel, restaurant and bakery

service; while the monthly minimum on prepay meter service is increased from 75 cents to \$1.00.

Aside from the increase in price of oil and the increase in wages which applicant is required to pay, attention is directed to the substantial increase in the item of taxes. This is occasioned by the fact that the franchise tax of 2 per cent of applicant's revenue, payable to the cities and counties in which it operates, now becomes operative for the first time during the year 1919. As this is a proper item of operation expense, the rates paid by applicant's consumers should be at all times sufficient to absorb this as well as other taxes normally levied.

For estimating revenue we assume that the average sales of gas per consumer will be approximately the same as under present rates. However, the testimony shows that further increase in rates above those provided in the order will probably result in substantial decrease in revenue.

Applicant has requested that any increases now to be granted it, be in the form of a surcharge. In our opinion, however, the facts warrant a change in the rate structure itself.

ORDER.

Contra Costa Gas Company having applied to the Railroad Commission for authority to increase its gas rates, a public hearing having been held and the matter having been submitted and now ready for decision,

The Railroad Commission of the state of California hereby finds as a fact that the existing rates, in so far as they differ from the rates herein established, are unjust and unreasonable rates, and that the rates herein established are just and reasonable rates for gas sold by applicant.

Basing its order on the foregoing findings of fact and on other findings of fact which are contained in the opinion preceding this order,

It is hereby ordered that Contra Costa Gas Company be and it is hereby authorized to charge and collect for gas sold based on all regular meter readings taken on and after February 17, 1919, in accordance with the following schedule of rates, to wit:

SCHEDULE "A."

General Service.

	Gross	Net
First 500 cubic feet or less per meter per month-----	\$1 10	\$1 00
Next 2,000 cubic feet per meter per month per 1,000 cubic feet--	1 75	1 65
Next 2,500 cubic feet per meter per month per 1,000 cubic feet--	1 55	1 45
Next 3,000 cubic feet per meter per month per 1,000 cubic feet--	1 35	1 25
Next 7,000 cubic feet per meter per month per 1,000 cubic feet--	----	1 10
All over 15,000 cubic feet per meter per month per 1,000 cubic feet	----	1 00

The net rate is effective if the bill is paid at the office of the company on or before the tenth of the month next succeeding that for which the bill is rendered. If the bill is not paid on or before the tenth, the gross charge is effective.

SCHEDULE "B."

Prepay Meters.

Rate: \$1.75 per 1,000 cubic feet.

Minimum: 1.00 per meter per month.

SCHEDULE "C."

Hotels, Restaurants and Bakeries.

	Gross	Net
Rate per 1,000 cubic feet per month-----	\$0.90	\$0.85
Minimum weekly charge per meter-----	7.50	7.00

The net rate is effective if the bill is paid at the office of the company within three (3) days after reading of meter and presentation of weekly bill. If the bill is not paid within three (3) days, the gross charge is effective.

Provided, that Contra Costa Gas Company shall file with the Railroad Commission on or before February 20, 1919, the schedules of rates herein established.

Dated at San Francisco, California, this thirteenth day of February, 1919.

DECISION No. 6104.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY FOR AN ORDER PRELIMINARY TO THE ISSUANCE OF A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE CONSTRUCTION OF A GAS DISTRIBUTION SYSTEM IN THE CITY OF EL SEGUNDO, CALIFORNIA.

Application No. 4303.

Decided February 13, 1919.

A. E. Peat, for Applicant.

LOVELAND, Commissioner.

OPINION.

Southern California Gas Company asks for an order preliminary to the issuance of a certificate that public convenience and necessity require the construction of a gas distribution system in the city of El Segundo, California. A hearing was held in Los Angeles on January 24, 1919.

Petitioner shows that the inhabitants of the city of El Segundo are now without gas service, that it has perfected plans for the installation of a gas distributing system in said city, that it has applied to the board of trustees of said city for the necessary franchise, notice of which application has been published and which franchise will be sold on February 13, 1919.

Petitioner is now serving natural gas in several municipalities in existence for a period of six or more years, and at the present time its growth is sufficient to warrant the installation of a gas system to sup-

ply its inhabitants. Petitioner further shows that it has on hand sufficient pipe and other materials to lay mains and supply gas in El Segundo and that from 150 to 175 consumers can be obtained.

Petitioner is now serving natural gas in several municipalities in the immediate vicinity, among which are Redondo, Hermosa Beach and Manhattan Beach, and in event of being permitted to serve in El Segundo it will supply the same gas at the same rates as in Redondo.

Petitioner will hereafter file with the Railroad Commission a certified copy of such franchise as the city of El Segundo may grant to it, and also the usual stipulation agreeing never to claim a value for the franchise in excess of the amount paid therefor by petitioner to the granting authority.

I recommend that the petition be granted and submit the following form of order:

ORDER.

Southern California Gas Company having filed herein its petition for an order declaring that public convenience and necessity require the construction of a new distribution system in the city of El Segundo, and public hearing having been held, and this proceeding being now ready for decision,

The Railroad Commission of the state of California declares that hereafter upon the filing of a certified copy of the ordinance of the city of El Segundo granting the petitioner a franchise, and of a stipulation as set forth in the opinion which precedes this order, the Railroad Commission will declare that public convenience and necessity require, and will require, the exercise by petitioner of the rights and privileges granted to it by such ordinance subject to such terms and conditions as the Railroad Commission may prescribe.

The foregoing opinion and order is hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this thirteenth day of February, 1919.

DECISION No. 6105.

IN THE MATTER OF THE APPLICATION OF J. W. REED FOR AN ORDER
TO SELL A PUBLIC UTILITY WATER PLANT TO MILDRED M.
PEERS.

Application No. 4309.

Decided February 13, 1919.

J. W. Reed, in propria persona.

LOVELAND, *Commissioner.*

OPINION.

J. W. Reed asks authority to sell to Mildred M. Peers a small public utility water plant located at Seventh and Whitsett streets, Lankershim, California. In addition he has agreed to transfer to Mildred M. Peers, two lots not used in connection with the water plant. The sale of these lots may be made without an order from the commission. The agreed consideration for all of the properties is \$5,000.00.

Mildred M. Peers has advised the commission that the present rates will be continued in effect until changed by the commission and that no claim will be made that the transfer price will be considered as a rate base.

The petition shows that eighteen families are being furnished water through the system referred to herein.

I herewith submit the following form of order:

ORDER.

J. W. Reed having applied to the Railroad Commission for authority to sell, and Mildred M. Peers for authority to purchase, a public utility water plant, a public hearing having been held, and the commission being of the opinion that this application should be granted,

It is hereby ordered that J. W. Reed be and he is hereby granted authority to sell to Mildred M. Peers a certain public utility water system located on—

"Lot seventy-three (73) of Tract Number Fourteen Hundred Sixty-eight, Sheet No. 2, in the County of Los Angeles, State of California, as per Map recorded in Book 20, Pages 50 and 51, of Maps, in the office of the County Recorder of said County, said system consisting of a well 12 inches in diameter, 138 feet deep, 4 inch cylinder draw water pump, 1½ H. P. Buckeye Jack, 2½ R. & V. gas engine, 10,000 gallon tank, 2 inch pipe line from Seventh St. to Fifty St. with ¾ outlet, 1½ inch pipe line laterals."

The authority herein granted is upon the following conditions:

1. Mildred M. Peers shall assume and discharge all of the obligations now resting by law upon J. W. Reed to serve the public.

2. The authority herein granted to convey and acquire said property shall not be considered before this commission or any other public

authority as representing for rate-fixing or for purposes other than the present application, the value of said property.

3. The authority herein granted shall apply only to such conveyance as may be executed within sixty days after the date hereof.

4. Within twenty days after the conveyance or transfer of the properties herein authorized, Mildred M. Peers shall file with the commission a verified copy of the instrument of conveyance.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this thirteenth day of February, 1919.

DECISION No. 6107.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AN ORDER AUTHORIZING THE ISSUE OF CERTAIN PROMISSORY NOTES.

Application No. 4363.

Decided February 13, 1919.

Short & Sutherland, by W. A. Sutherland, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

San Joaquin Light and Power Corporation asks authority to issue notes in the principal amount of \$96,500.00 for the purpose of renewing the notes set forth in the order herein.

The testimony of Mr. A. E. Peat, treasurer and comptroller of San Joaquin Light and Power Corporation, shows that the money, secured through the issue of the notes which applicant desires to renew, was expended on capital account.

I herewith submit the following form of order:

ORDER.

San Joaquin Light and Power Corporation having applied to the Railroad Commission for authority to issue notes in the principal sum of \$96,500.00 for the purpose of renewing notes now outstanding, a public hearing having been held, and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that San Joaquin Light and Power Corporation be and it is hereby authorized to issue its promissory notes for a term not exceeding one year for the purpose of renewing the following promissory notes now outstanding:

Payee	Date	Amount	Interest (per cent)	Maturity
First National Bank of Fresno.....	11/13/18	\$20,000	6	2/11/19
Union National Bank of Fresno.....	11/15/18	20,000	6	2/15/19
The National Bank of Bakersfield.....	11/20/18	10,000	6	5/20/19
Security Trust Company, Bakersfield.....	2/18/19	15,000	6	5/18/19
First Bank of Kern, Bakersfield.....	2/22/19	9,000	6	5/22/19
Bank of Italy, Fresno.....	12/10/18	10,000	6	3/10/19
First National Bank of Selma.....	12/10/18	2,500	6	3/10/19
First National Bank of Sanger.....	12/10/18	2,500	6	3/10/19
The First National Bank of Dinuba.....	12/10/18	2,500	6	3/10/19
The Reedley National Bank, Reedley.....	12/10/18	2,500	6	3/10/19
The United States Bank of Dinuba.....	12/10/18	2,500	6	3/10/19

The authority herein granted is upon the following conditions and not otherwise:

1. The notes herein authorized to be issued shall be issued so as to net applicant not less than the face value thereof.

2. The notes herein authorized to be issued shall bear interest at not exceeding 6 per cent per annum and shall be issued to the same payees and in the same amounts as the notes which are renewed by such issue.

3. Applicant may, if it so desires, issue the notes herein authorized for a term of less than one year and renew said notes from time to time, provided that the combined terms of the notes herein authorized and those issued in renewal thereof, shall not exceed one year from the respective dates of the maturity of the notes listed in this order.

4. San Joaquin Light and Power Corporation shall report to the Railroad Commission within ten days after the issue of the respective notes herein authorized, the fact and the date of issue, face value of the respective notes, the rate of interest and the application of the proceeds, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted shall not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this thirteenth day of February, 1919.

DECISION No. 6108.

IN THE MATTER OF THE APPLICATION OF EAST BAY WATER COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF CLASS "A" SIX PER CENT CUMULATIVE PREFERRED STOCK.

Application No. 3655.

Decided February 13, 1919.

McKee & Tashcira, by A. G. Tashcira, for Applicant.

EDGERTON, Commissioner.

OPINION.

In its amended petition filed in the above-entitled matter on January 15, East Bay Water Company asks authority to issue \$437,331.90 par value of its Class "A" 6 per cent cumulative preferred stock.

In exhibits attached to the petition, applicant reports expenditures incurred or to be incurred as follows:

On San Pablo project to December 31, 1917, and on general system to June 30, 1917, used as basis to issue bonds	\$1,014,841 03
Expenditures reported on San Pablo project during 1918, used as basis to issue bonds	701,544 05
Expenditures on San Pablo project to be incurred after January 1, 1919, used as basis to issue bonds	470,276 00
Total	\$2,186,661 08

Because of the \$2,186,661.08 of expenditures, the Railroad Commission has authorized applicant to issue \$1,712,051.62 of bonds. Of the \$1,712,051.62 of bonds, applicant has sold \$49,000.00 and pledged \$1,634,000.00 to secure the payment of \$1,250,000.00 of five-year 6 per cent notes due August 1, 1923.

Under its deed of trust, East Bay Water Company may issue bonds from time to time "to aid in acquiring and providing for 80 per cent of the cost of betterments, improvements or extensions to the works of the company or acquisition of new property of the company." The \$437,331.90 of stock which applicant intends to issue is equal in par value to 20 per cent of the cost of betterments, improvements and extensions.

In Exhibit No. "1," applicant summarizes its asset and liability accounts, as of December 31, 1918, as follows:

Asset Accounts.

Current assets:		
Cash on hand.....	\$13,704	98
Cash in banks.....	50,962	24
Investments.....	17,900	00
Accounts receivable.....	108,341	31
Total current assets.....		\$190,908 53
Material and supplies.....		71,333 64
Plant equipment assets:		
Fixed capital.....	\$15,885,347	98
San Pablo project.....	1,334,393	62
Total plant and equipment assets.....		17,219,741 60
Deferred and contingent assets:		
Union Trust Co., trustee, real estate sales..	\$6,896	00
Treasury securities.....	1,669,200	00
Prepaid expenses.....	163,980	00
Accruing land rents on leases.....	54,023	18
Unamortized discount on securities.....	79,295	57
Stock discount.....	1,919,680	00
Suspense.....	5,988	25
Total deferred and contingent assets.....		3,899,063 00
Total asset accounts.....		\$21,381,046 77

Liability Accounts.

Current liabilities:		
Notes payable.....	\$101,860	19
Accounts payable.....	68,952	86
Extension and guarantee deposits.....	80,656	06
Total current liabilities.....		\$251,469 11
Deferred liabilities:		
Land sales account.....	\$100,467	63
Land rents charged in advance.....	69,875	53
Bonds in treasury.....	29,000	00
Bonds pledged as collateral.....	1,634,000	00
Interest accrued.....	31,250	00
Total deferred liabilities.....		1,864,593 16
Funded debt:		
First mortgage 5½ per cent gold bonds.....	\$9,876,900	00
Six per cent collateral trust notes.....	1,250,000	00
Mortgages payable.....	12,500	00
Total funded debt.....		11,139,400 00
Reserve for accrued depreciation.....		200,000 00
Capital liabilities:		
Class "A" 6 per cent cumulative preferred capital stock.....	\$4,480,800	00
Class "B" 6 per cent noncumulative preferred capital stock.....	2,987,200	00
Common capital stock.....	100,000	00
Corporate surplus.....	357,584	50
Total capital liabilities.....		7,925,584 50
Total liability accounts.....		\$21,381,046 77

Mr. W. Creed, president of East Bay Water Company, testified that the company had entered into a firm contract for the sale of 4,200 shares of its Class "A" 6 per cent cumulative preferred stock at \$72.00 per share and accrued dividends. He believes that the stock is intrinsically worth more than \$72.00 per share, though after prolonged negotiations he has not been able to secure a more favorable offer. He regards the low price of the stock as representing the cost to the company of establishing a market for the stock. It appears that there has been no general distribution of Class "A" stock of applicant. The record shows that it has remained in the hands, for the most part, of the parties who took it on the reorganization of Peoples Water Company and that many of those people are not a class of people who either wish to or can afford to hold the preferred stock as a permanent investment. The purchasers of the 4,200 shares intend to distribute their stock and of necessity will have to find purchasers who are investors.

Ordinarily the commission would not look with favor upon the issue of stock at a price as low as proposed by applicant. In authorizing the issue of either stock, bonds, or other securities, consideration must necessarily be given to the general financial situation of the utility. In this case practically all of applicant's outstanding bonds, \$9,876,900.00, have been issued at par. In addition it has sold \$1,250,000.00 of five-year 6 per cent notes at 95½. The total discount on its outstanding bonds and notes and the expenses incident to their issue is reported by applicant on December 31, 1918, at \$79,295.57. While I am willing, under the facts of this case, to recommend the granting of this application, it is with the understanding that the approval by the commission of such recommendation and the authority to issue the stock, must not be taken as a precedent.

I herewith submit the following form of order:

ORDER.

East Bay Water Company having applied to the Railroad Commission for authority to issue \$437,331.90 par value of its Class "A" 6 per cent cumulative preferred stock, a public hearing having been held, and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that East Bay Water Company be and it is hereby authorized to issue \$437,331.90 par value of its Class "A" 6 per cent cumulative preferred stock upon the following conditions:

1. The stock herein authorized to be issued shall be sold by applicant for cash at not less than \$72.00 per share and accrued dividends.

2. The proceeds from the sale of \$343,277.00 of stock shall be used for the purpose of reimbursing applicant's treasury.

3. The proceeds from the sale of \$94,054.90 shall be applied to financing in part the construction expenditures on the so-called San Pablo project referred to in an exhibit attached to the petition herein.

4. East Bay Water Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds from the sale of the stock herein authorized to be issued, and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission as required by the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted shall apply only to such stock as may be issued on or before October 1, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this thirteenth day of February, 1919.

DECISION No. 6117.

IN THE MATTER OF THE APPLICATION OF WESTERN STATES GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS OF THE FACE VALUE OF FOUR HUNDRED FIFTY THOUSAND DOLLARS.

Application No. 4312.

Decided February 13, 1919.

Chickering & Gregory, by Evan Williams, for Applicant.

DEVLIN, Commissioner.

OPINION.

Western States Gas and Electric Company asks authority to issue, at not less than 82½ plus accrued interest, \$450,000.00 of its first and refunding mortgage 5 per cent bonds due June 1, 1941.

Under its deed of trust, applicant may issue bonds in an amount not exceeding in the aggregate 75 per cent of the reasonable cost to the company of any new or additional properties purchased or acquired, or of any permanent extensions, additions, improvements or betterments made to any of its plants or properties after June 1, 1911; provided, however, that no bonds shall be certified or delivered until or unless the earnings of the company from the operation of its plants

and properties and from income on any securities owned by the company for a period of twelve consecutive months, ending not more than sixty days prior to the date of the respective applications for certification of bonds, after deducting from such earnings all operating expenses, including taxes, insurance premiums and customary expenses for current repairs and current maintenance ordinarily chargeable to operating expenses, shall have been in each case equal to at least twice the interest charges on all the bonds then outstanding and all bonds whose certification and delivery is applied for.

In exhibits attached to the petition herein, applicant reports:

Expenditures from July 1, 1911, to November 30, 1918-----	\$4,040,615 95
Amount of bonds which trustee may certify because of said expenditures-----	\$3,030,461 96
Less bonds actually certified and issued-----	2,896,000 00
Balance of bonds which trustee may certify because of expenditures incurred to Novem- ber 30, 1919-----	\$134,461 96

In Exhibit "8," attached to the petition, applicant estimates that for the thirteen months ending December 31, 1919, it will have to expend, on capital account, the sum of \$491,515.00.

Applicant asks authority to issue \$450,000.00 of bonds. The proceeds obtained from the sale of the bonds, applicant intends to use to finance construction expenditures incurred or to be incurred. To the extent that applicant has issued short term notes or incurred open account indebtedness for the purpose of paying expenditures on capital account, it may be permitted to use the proceeds from the sale of bonds to pay such short term notes or open account indebtedness.

Applicant reports that as to the bonds in excess of \$134,461.96, plus 75 per cent of such additional amount as it may have expended on capital account at the time it presents its request for delivery of bonds to the trustee, it will be obliged to deposit with the trustee cash against the sale of such bonds, subject to withdrawing such deposit against 75 per cent of the amount of its construction expenditures to be made in the future when and as the same have been actually made. The order herein will provide that the proceeds from the sale of the bonds less the proceeds from the sale of such an amount of bonds as applicant may issue under its deed of trust at the time it requests the certification of the bonds, shall be deposited with the trustee and withdrawn from time to time as capital expenditures have been incurred.

In Exhibit No. "3," applicant reports its assets and liabilities as of November 30, 1918, as follows:

Assets.

Fixed capital -----	\$11,918,473 75
Cash -----	119,826 77
Notes -----	818 69
Accounts receivable -----	166,960 78
Securities of other corporations -----	6,065 00
Other investments -----	250 00
Treasury securities -----	149,600 00
Materials and supplies -----	133,628 06
Sinking funds -----	239,069 18
Prepaid insurance -----	2,130 14
Unamortized discount on securities and expenses -----	671,597 24
Bonds deposited as collateral -----	959,000 00
Other suspense -----	23,069 26
Motors leased -----	1,172 30
Signs leased -----	10,657 13
Total assets -----	\$14,402,318 30

Liabilities.

Capital stock.		
Common -----	\$3,231,500 00	
Preferred -----	2,303,000 00	
		\$5,534,500 00
Capital stock—subscribed -----		14,900 00
Funded debt:		
Western States Gas and Electric Company bonds, 5's -----	\$5,313,500 00	
American River Electric Company bonds, 5's -----	480,000 00	
Western States Gas and Electric Company 10-year notes, 6's -----	1,564,000 00	
Western States Gas and Electric Company 5-year notes, 6½'s -----	690,000 00	
		\$8,047,500 00
Notes -----		165,000 00
Accounts payable -----		102,036 88
Interest accrued -----		55,807 37
Taxes accrued -----		59,892 20
Preferred dividends accrued -----		25,195 91
Consumers' deposits -----		18,146 02
Unclaimed checks -----		830 44
Reserve for accrued depreciation -----		329,363 20
Surplus -----		49,146 28
Total liabilities -----		\$14,402,318 30

Applicant alleges, and has submitted a statement showing, that its earnings for the past year have been sufficient to authorize the trustee to certify and deliver \$450,000.00 of bonds.

I herewith submit the following form of order:

ORDER.

Western States Gas and Electric Company having applied to the Railroad Commission for authority to issue bonds, a public hearing having been held and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Western States Gas and Electric Company be and it is hereby granted authority to issue \$450,000.00 of its first and refunding mortgage 5 per cent gold bonds due June 1, 1941, subject to the following conditions:

(1) The bonds herein authorized shall be sold by applicant, for cash, at not less than 82½ per cent of their face value plus accrued interest.

(2) The bonds shall be issued for the purpose of financing in part the construction expenditures referred to in exhibits attached to this petition and incurred prior to November 30, 1918, or for the purpose of financing in part the construction expenditures subsequent to November 30, 1918, and referred to in Exhibit No. "8," attached to the petition herein.

(3) The proceeds obtained from the sale of the bonds which the trustee is not authorized to deliver without requiring the deposit of cash against such bonds, shall be deposited with the trustee and withdrawn by the company from time to time as it proceeds with its construction program, provided that before making a request upon the trustee for the withdrawal of any cash deposited, it file with the commission a detailed statement of its construction expenditures, which it will use as a basis for the withdrawal of cash deposited with the trustee.

(4) Western States Gas and Electric Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds herein authorized to be issued, and on or before the twenty-fifth day of each month, the company shall make verified reports to the commission stating the sale or sales of said bonds, the terms and conditions of the sale, the moneys realized therefrom and the use and application of such moneys, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(5) The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

(6) The authority herein granted shall apply only to such bonds as may have been issued on or before December 31, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this thirteenth day of February, 1919.

DECISION No. 6138.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY FOR AN INCREASE IN RATES CHARGED FOR 815 B. T. U. GAS FOR DOMESTIC AND COMMERCIAL SERVICE FOR LIGHTING, COOKING, HEATING, ETC., WITHIN THE LIMITS OF THE CITY OF LOS ANGELES.

Application No. 4027.

Decided February 21, 1919.

Jared Howr, for Southern California Gas Company.
Albert Lee Stephens and *F. D. Howell*, for the city of Los Angeles.

DEVLIN, *Commissioner*.

OPINION.

In this application Southern California Gas Company, hereafter referred to as applicant, requests that in the event this commission shall authorize the Los Angeles Gas and Electric Corporation an increase in its rates to be charged by it for service of 815 B. t. u. gas within the city of Los Angeles that the commission authorize applicant a like increase for the same service within the city of Los Angeles.

A hearing in this application was held before Commissioner Loveland, acting for myself, in Los Angeles on October 8 and 9, 1918, at which time it was stipulated that evidence introduced in Application No. 4009, being application of Los Angeles Gas and Electric Corporation for increase in rates, which was heard in conjunction with this application, in so far as the same was applicable, might be considered as evidence in this proceeding. Further hearing in this application was postponed from time to time owing to the continuation of the epidemic of influenza, and finally the matter was submitted by stipulation of all attorneys of record in the proceeding without further hearing.

The rates now being charged by Southern California Gas Company in the city of Los Angeles were fixed by this commission in its Decision No. 4559, issued August 21, 1917, as amended by Decision No. 4853, issued November 19, 1917. In the former decision, No. 4559, this commission held that because of the competitive conditions existing between applicant and Los Angeles Gas and Electric Corporation, it would be impossible for applicant to conduct its business with success if higher rates were fixed for its service of mixed gas in the city of Los Angeles than had been fixed for the service of gas by Los Angeles Gas and Electric Corporation in this commission's Decision No. 4558 in Application No. 1830, dated August 21, 1917, and that therefore the rates of applicant for its service of mixed gas in the city of Los Angeles should be made the same as those fixed for the competing company, Los Angeles

Gas and Electric Corporation; that it was true that such rates would not yield to applicant the same rate of return upon its investment as identical rates would yield on the investment of Los Angeles Gas and Electric Corporation; and that applicant had not previously made an adequate return upon its investment. The commission found that the estimated net earnings of applicant under the rates set out in the order and thereby prescribed to be charged by applicant, would be slightly in excess of six per cent (6%) of the investment; whereas the estimated earnings of said Los Angeles Gas and Electric Corporation under the same rates would be eight per cent (8%) of its investment.

Southern California Gas Company competes directly with Los Angeles Gas and Electric Corporation throughout practically the entire territory in the city of Los Angeles which it serves with 815 B. t. u. gas. Applicant also serves mixed gas of 815 B. t. u. per cubic foot content in a number of the adjacent towns and in the unincorporated territory intervening, and also serves natural gas in certain districts, which in general are noncompetitive. In this application it asks only that its rates be kept the same as Los Angeles Gas and Electric Corporation in the city of Los Angeles.

It appears at this time, as set forth in Decision No. 6139 in Application No. 4009, this day issued, that Los Angeles Gas and Electric Corporation's expenses have increased, and to cover such expenses this commission has authorized that company to increase its rates to be charged for gas service delivered to its consumers.

Southern California Gas Company's expenses have also increased, though due to certain economies which it has put in effect these expenses have not increased as much as those of Los Angeles Gas and Electric Corporation. It appears at this time, however, that the rates which are authorized for Los Angeles Gas and Electric Corporation for the sale of gas in the city of Los Angeles, if applied to the sales of Southern California Gas Company will not result in an excessive return to applicant.

Applicant should be authorized to increase its rates for the delivery of gas having an average heat content of 815 B. t. u. per cubic foot in the city of Los Angeles so that its rates therein will be the same as charged by Los Angeles Gas and Electric Corporation.

I recommend the following form of order:

ORDER.

Southern California Gas Company having applied for authority to increase its rates for gas having an average heat content of 815 B. t. u. per cubic foot, within the city limits of Los Angeles, a public hearing having been held and the matter having been submitted and now ready for decision,

It is hereby ordered that Southern California Gas Company be and the same is hereby authorized to charge and collect within the city of Los Angeles, as hereafter designated, for service of gas having an average heat content of 815 B. t. u. per cubic foot, the following rates, to be applicable to all bills rendered based upon meter readings taken on and after March 1, 1919:

Gas Rate Schedule No. 1.

TERRITORY.

This schedule applies to Rate District No. 1, which includes the following territory:

That portion of the city of Los Angeles designated as follows:

- (a) Original city as incorporated in 1850.
- (b) Extension of June 1, 1869.
- (c) City of Hollywood Addition.
- (d) East Hollywood Addition.
- (e) Colegrove Addition.
- (f) Western Addition.
- (g) University Addition.
- (h) Palms Addition east of north and south section line extended, between section No. 16 and section No. 17, township 1 south, range 14 west, San Bernardino Base and Meridian.
- (i) Southern Addition.
- (j) Shoestring Addition north of northern section line of sections 31, 32 and 33, township 2 south, range 13 west, and sections 35 and 36, township 2 south, range 14 west, San Bernardino Base and Meridian.
- (k) Bairdstown Addition.
- (l) Highland Park Addition.
- (m) Garvanza Addition.
- (n) Arroyo Seco Addition.
- (o) Occidental Addition.

Character of Service.

This schedule applies to sale of "815 B. T. U." gas for domestic and commercial service including lighting, cooking, heating, etc.

Rate.

First	5,000 cubic feet per meter per month--	75 cents per 1,000 cubic feet
Next	5,000 cubic feet per meter per month--	70 cents per 1,000 cubic feet
Next	15,000 cubic feet per meter per month--	65 cents per 1,000 cubic feet
Next	25,000 cubic feet per meter per month--	60 cents per 1,000 cubic feet
All over	50,000 cubic feet per meter per month--	55 cents per 1,000 cubic feet

Minimum Charge.

Minimum bill, for flats and apartments where four (4) or more meters are served in one location and on one service, 35 cents per meter per month.

Minimum bill, for domestic and commercial service other than above, 50 cents per meter per month.

It is further ordered that Southern California Gas Company file with the Railroad Commission said rates herein established within ten (10) days from the date of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-first day of February, 1919.

DECISION No. 6139.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES GAS AND ELECTRIC CORPORATION FOR INCREASE IN RATES CHARGED FOR GAS.

Application No. 4009.

CITY OF SOUTH PASADENA, A MUNICIPAL CORPORATION.

vs.

LOS ANGELES GAS AND ELECTRIC CORPORATION.

Case No. 1200.

Decided February 21, 1919.

Unnecessary expense due to competitive methods must be eliminated before public is required to pay increased rates.

War taxes held a burden that should be borne by utility.

Weather conditions held to have marked effect on sale of gas.

Paul Overton and Herbert J. Goudge, for Los Angeles Gas and Electric Corporation.

Jared Hove, for Southern California Gas Company.

John Bieby, for Economic Gas Company.

Albert Lee Stephens and F. D. Howell, for city of Los Angeles.

Wm. Hazlett, for city of South Pasadena.

Thos. A. Berkebile, for city of Monterey Park.

L. O. Hatch, for city of Eagle Rock.

John Munger, for city of Pasadena.

DEVLIN, *Commissioner*.

OPINION.

Los Angeles Gas and Electric Corporation, hereafter designated as applicant, requests an increase in its rates charged for gas served to its consumers in the form of a surcharge to be added to bills based upon the regular rates heretofore established. In support of its application applicant alleges that an increase should be granted to cover increased cost of oil and other material, increased wages paid to retain skilled and competent employees, and increase in federal taxes and such additional increase as is necessary to return it an 8 per cent return on its capital.

City of South Pasadena alleges in Case No. 1200 that the rates charged for gas by Los Angeles Gas and Electric Corporation in the city of South Pasadena are excessive and request that the rates in South Pasadena be reduced to the same basis as in effect in the city of Pasadena.

Hearing in this application was held before Commissioner Loveland, who presided in my stead, on October 8 and 9, 1918, at which time considerable evidence was introduced by applicant. A consolidated hearing was held on this application, and Application No. 4027,

Southern California Gas Company for an increase of rates for service of 815 B.t.u. gas within the city limits of Los Angeles; Application No. 4053, Economic Gas Company for increase of rates, and Case No. 1200, being the case of the *City of South Pasadena vs. The Los Angeles Gas and Electric Corporation* regarding gas rates. Further hearing was set for October 22, 1918, at Los Angeles, but in the meantime the epidemic of influenza became so acute that public gatherings were for a time forbidden and the further hearings were postponed from time to time until December, when agreement was entered into between the attorneys of record in the application providing for presentation by filing of exhibits, statements and briefs by the various interested parties; and a stipulation to that effect has been duly executed and filed with the commission. The stipulation provides that owing to the epidemic of influenza in the city of Los Angeles and vicinity having reached such proportion that the health and safety of the people and all parties interested herein would suffer in case any further hearings were held, the parties of record in this proceeding stipulated that the hearing in the applications pending be stricken from the calendar; that further evidence and argument in said matter be submitted to the commission in writing; that all exhibits be introduced by December 18, 1918; that all written argument be introduced by December 24; that any reply arguments of applicant be filed within 24 hours from receipt of arguments from protestants; and that such information as requested by the Railroad Commission should be considered in evidence.

The application has therefore been submitted in accordance with the stipulations. Applicant herein has filed with the commission since the hearing Exhibits Nos. 7 to 12, inclusive. City of Los Angeles has submitted Exhibits Nos. 1 to 33, inclusive, which, in accordance with the general submission of the case, have been considered in evidence. City of Monterey Park has introduced Exhibits Nos. 1 to 3, inclusive. Statements and briefs have been filed in accordance with the stipulation on behalf of Los Angeles Gas and Electric Corporation, city of Los Angeles and cities of South Pasadena and Monterey Park.

Application No. 4027, which was heard at the same time with the application herein, was filed by Southern California Gas Company and requests the commission to authorize the same increase of rates to the Southern California Gas Company for service of the 815 B.t.u. gas inside the city of Los Angeles as is granted herein to the Los Angeles Gas and Electric Corporation.

Application No. 4053 of Economic Gas Company is, in general, of a similar nature to that of Southern California Gas Company.

These two companies are in direct competition with the Los Angeles Gas and Electric Corporation and they allege that they should be

authorized to charge the same rates as the Los Angeles Gas and Electric Corporation is authorized to charge.

The rates now in effect throughout the Los Angeles Gas and Electric Corporation's system were fixed by this commission in connection with Application No. 1830 and Case No. 854, Decision No. 4558, issued August 1, 1917 (Opinions and Orders of the Railroad Commission of California, Vol. 13, page 724), as amended by the commission's decision on rehearing in those proceedings, Decision No. 4852 issued November 19, 1917 (Opinions and Orders of the Railroad Commission of California, Vol. 14, page 499).

Los Angeles Gas and Electric Corporation in its application does not request a change in the basis rates formerly fixed by this commission but does request the addition of a surcharge to these rates. The city of South Pasadena, however, urges that at least a reclassification be made to the extent that consumers in South Pasadena be charged the same rate as in Pasadena. A similar request was made at the hearing by the city of Alhambra, in which there is now charged the same rate as in South Pasadena, and a change of schedule is requested by the city of Monterey Park.

Applicant bases its request in the main upon an increase in the cost of labor, oil, material and increase in taxes.

The main part of applicant's case is set forth in its Exhibit No. 1, which includes a summary of operations for the 12 months ending June 30, 1918, with estimates for the year commencing October 1, 1918, together with general details supporting such estimate. Following the hearing in this application and at the time the case was submitted applicant submitted a statement of the operation of the gas department for the year ending November 30, 1918, and also an estimate of the operating expenses for the year commencing January 1, 1919. A summary of the information submitted in these exhibits, together with a similar statement for the years 1916 and 1917, is set forth in Table No. 1.

The capital and depreciation as set forth in the table are based upon the commission's finding in Decision No. 4558 in Application No. 1830. The revenue and expense is as reported to the commission in its annual reports and in the exhibits filed in this application.

Table No. 1 prepared partly from applicant's annual reports to the commission indicates that during 1916 and 1917 it earned a return in excess of 8 per cent upon its rate base and that for the year ending November 30, 1918, the return received was 6.63 per cent. The average rate of return for the three years was 8.09 per cent.

TABLE No. 1.

Los Angeles Gas and Electric Corporation.

GAS DEPARTMENT.

	Year 1916	Year 1917	Actual 12 months ending November 30, 1918	Corporation's estimate, 1919, present rates
Quality of gas-----	820	821	816	815
Total gas sendout, M. cu. ft.-----	4,941,776	5,312,678	5,354,621	
Total gas sales, M. cu. ft..	4,331,911	4,676,891	4,704,908	4,900,000
Unaccounted for gas, M. cu. ft.-----	609,865	635,787	649,713	
Per cent -----	12.3	12	12.1	
Average consumers -----	131,615	136,858	138,155	
Revenue:				
Operative gas sales-----	\$2,945,699 37	\$3,184,338 28	\$3,213,235 56	\$3,347,680 00
By-products -----	201,062 97	204,554 37	162,682 09	171,500 00
Totals -----	\$3,146,762 34	\$3,388,892 65	\$3,375,917 65	\$3,519,180 00
Expense:				
Production -----	\$876,936 37	\$1,096,299 06	\$1,294,520 51	\$1,628,027 00
Transmission -----	15,490 17	1,200 00	1,216 78	2,400 00
Distribution -----	207,994 95	193,802 78	175,704 49	219,030 00
Commercial -----	243,396 01	265,677 68	269,816 25	317,030 00
General and miscellaneous -----	162,762 24	172,345 11	161,053 54	200,900 00
Carbon briquette -----	108,235 99	123,202 63	112,202 70	115,640 00
Taxes -----	150,822 00	195,733 02	239,990 25	289,926 00
Uncollectible bills -----	15,900 00	12,000 00	12,205 67	16,377 00
Totals -----	\$1,781,537 73	\$2,060,260 28	\$2,266,712 19	\$2,789,330 00
Net revenue for interest and depreciation -----	\$1,365,224 61	\$1,328,632 37	\$1,109,205 46	\$729,850 00
Depreciation -----	212,103 00	213,753 00	219,892 38	221,861 00
Net return -----	\$1,153,121 61	\$1,114,879 37	\$889,313 08	\$507,989 00
Capital -----	\$12,592,434 00	\$13,039,710 00	\$13,398,711 00	\$13,539,040 00
Rate of return -----	9.18%	8.55%	6.63%	3.75%

I desire now to discuss and comment upon the estimates of applicant for the year 1919. Applicant's estimate of capital for 1919 is \$13,539,039.67. This estimate is based upon the commission's valuation as determined in this commission's Decision No. 4558, to which has been added net additions and betterments as set forth in the commission's Exhibit F in this application plus ledger additions to October 31, 1918, and an estimate of additions and betterments to June 30, 1919. Applicant increased this amount by the sum of \$32,000.00 to cover estimated

increase in working cash capital due to the increase in price of fuel oil. From an analysis of the operating expenses with proper correction therefor as hereinafter set forth I see no reason for increasing the item of working cash capital above that set forth in commission's Exhibit F.

Applicant estimates a greater increase in capital during 1919 than 1918. A greater increase should occur as applicant made very few extensions of mains to serve consumers during 1918, and with the return of peace times it has an obligation to fulfill to the public and should make all reasonable extensions, and the commission will insist that this be done.

The rate base to be used in computing the rates herein established for the year 1919 will be \$13,520,000.00, being the rate base determined in Decision 4558 plus additions and betterments to June 30, 1919.

The number of consumers which applicant has served has increased steadily during the past years but the rate of increase has been slower during the year 1918 than during previous years. Applicant had an average of 138,155 active meters during the year 1918, and, considering the growth which has occurred and which possibly will occur during the coming year, I am of the opinion that the average number of active meters for 1919 will be 140,000.

Applicant has estimated an increase in sales in 1919 over 1918 of approximately $4\frac{1}{2}$ per cent, the sales for the twelve months ending November 30, 1918, being 4,703,788,000 cubic feet, and that estimated for 1919, 4,900,000,000 cubic feet of 815 B.t.u. per cubic foot gas. The testimony of Mr. James E. Barker, a witness for applicant, was to the effect that for a number of causes, primarily due to the war, the sales per consumer had reduced materially in 1918 over preceding years, and at the time this evidence was introduced it was expected that war conditions would continue during the coming year, and the sales, according to Mr. Barker, would therefore be less than might occur were normal times to return. Mr. Barker apparently did not give due consideration to the effect of variation of climatic conditions upon the sales of applicant. Evidence introduced through him in Application No. 1830 showed that at that time applicant urged a very careful consideration of this item, and records show that weather conditions have a very marked effect upon the sales.

An analysis of the sales in terms of B.t.u. per consumer compared with the mean minimum monthly temperature for several years, which was presented by L. S. Ready, gas and electrical engineer of the Railroad Commission, shows clearly that there is a definite relation existing between the sales and minimum temperature and that a material increase occurs in sales with reduction in temperature, especially during the winter months.

The evidence as set forth in the commission's Exhibit G shows that the mean minimum monthly temperatures for the twelve months ending June 30, 1918, were, in all instances, in excess of the average mean minimum monthly temperature shown by the government records for the thirty-four years ending 1911.

It would appear from this evidence that 1918 was an exceptionally warm year and that as a result a material reduction in sales had occurred below what might be expected in a normal year. It is well to point out at this time that the sales per consumer, based upon the same conditions of temperature, were greater in 1918 than in 1917 or any other previous year, from which it would appear that rather than a reduction in sales per consumer during the year 1918 due to war conditions, there actually was an increase if temperature conditions are taken into consideration. If the conditions referred to by Mr. Barker did tend to reduce the sales, with the return of normal conditions a much greater increase will occur.

It is my opinion that in estimating the sales for 1919 the estimate should be based upon average climatic conditions. It is unfair to the consumers to base the estimate on 1918 conditions and unfair to the applicant to estimate an abnormally cold year.

A determination of the average mean minimum monthly temperature for the past ten years shows that at least for those years the temperature was from one to two degrees warmer than on the average of thirty or forty years, and, if the last ten years' average is used as against forty years, the estimated sales, based upon the average of ten years, would be less than if based upon the average over the longer period.

In view of the difference which exists I am of the opinion that the use of the ten-year period would more fairly interpret the probable conditions for the year 1919 than would the use of the longer period. It is more than probable that the location of the recording instrument determining minimum temperature has been changed during this period of forty years, in which case such change could materially affect recorded temperature. From analysis of the applicant's gas sales and on the basis of the average temperature condition for the past ten years, I conclude the sales for the year 1919 should be 5,050,000 thousand cubic feet as compared with the applicant's estimate of 4,900,000 thousand cubic feet.

I will allow 12 per cent for unaccounted gas during the year 1919. The average of preceding year shows practically 12 per cent.

Applicant has estimated a production expense for 1919 of \$1,628,027.00 as compared with the actual for the 12 months ending November 30, 1918, of \$1,294,520.51. The larger part of this is due to the increase in oil price from \$1.40 to \$1.60 per barrel. Increased use

of oil and increase in labor costs also have caused part of the advance. An analysis of applicant's operations for the year 1917 and the first six months of 1918 shows that applicant used a greater amount of natural gas per 1,000 cubic feet of gas sendout during that year than estimated for the year 1919, notwithstanding the fact that the price of oil has steadily increased.

The use of oil during the year 1917 was practically 80 barrels per 1,000,000 cubic feet of gas sendout, the remaining fuel used being natural gas. In applicant's estimate for the year 1919 it is estimated that the use of oil will be increased to 102 barrels per 1,000,000 cubic feet sendout. Applicant's oil costs \$1.60 per barrel. The natural gas is purchased at a price of 14 cents per thousand cubic feet, which constitutes an equivalent of oil at approximately 80 cents per barrel. Applicant's consumers are entitled to the advantage of the lesser cost of production of gas by use of the less expensive fuel when the latter is available or when with reasonable effort and business prudence the same could have been made available.

In this connection it is well to point out that since 1916 the supply of natural gas to the Los Angeles district, including the city of Los Angeles and the beach towns, has increased materially. In 1916 the supply from the Midway and Fullerton fields was limited to approximately 28,000,000 per day, all of which was not required by the then existing demand except during a part of the winter. This supply of natural gas was divided largely between Los Angeles Gas and Electric Corporation and Southern California Gas Company. Testimony of Mr. A. B. Macbeth of Southern California Gas Company and Midway Gas Company is to the effect that at the time of the hearing the available supply had increased to 31,000,000 cubic feet per day and that early in the year 1919 this would be further increased to a possible 42,000,000.

Mr. Macbeth testified that all the gas now available is being used and that the further supply, as soon as it is available, would be taken up by various demands, largely industrial. I do not believe this excuses the Los Angeles Gas and Electric Corporation for having failed to protect its consumers by providing its system with a larger supply of this cheaper fuel. Considering the increase in the supply to the Los Angeles district during the last two years and the marked increase in cost of fuel, and the further fact that applicant is the largest gas utility in the district, I can not but feel that applicant has failed in this respect to fulfill its duty to its consumers. I am of the opinion that applicant should not be granted a full return based upon its estimated operating expenses which are in turn based upon an unusual and unnecessary use of oil and reduced use of natural gas.

In estimating the operating expenses for 1919 I am using the same ratio of oil purchased to gas manufactured as did occur during 1917, and if applicant has so failed to supply itself with the necessary natural gas to meet these operating conditions it will necessarily have to absorb this amount by receiving a corresponding decrease in return. On this basis the oil required for the operation of applicant's gas plant will be 468,000 barrels and the natural gas supply required would be 4,360,000,000 cubic feet. The fuel cost of applicant for the ensuing year on this basis will be \$1,358,400.00 and the total cost of production of gas, \$1,602,420.00 for a sale of 5,050,000,000 cubic feet as compared with applicant's estimate of production of \$1,628,027.00 for a sale of 4,900,000,000 cubic feet.

In this connection I desire to call further attention to a condition which is shown by the evidence in this application. Records submitted at the request of the commission by Southern California Gas Company show that this company, during the summer of 1918, practically did away with the use of oil in the gas manufacturing plant. The evidence shows that with practically the same efficiency, natural gas costing 14 cents per 1,000 cubic feet or an equivalent of approximately 80 cents per barrel for oil has been used to replace oil costing \$1.60 per barrel. Applied to the operation of Los Angeles Gas and Electric Corporation the evidence shows that the use of natural gas in place of oil would reduce its production cost below what it would be as above estimated by an amount of at least 5 cents per 1,000 cubic feet of gas sales during the period in which sufficient natural gas is available.

It is apparent upon an analysis of the supply and demand that if similar steps had been taken by applicant in time it could have followed the practice of Southern California Gas Company for at least seven months in the summer, thus reducing the cost of operating its gas plant by approximately \$100,000.00 per year. Had this economy been followed out applicant might be entitled to participate in the saving realized from reduced expense resulting therefrom.

The city of Los Angeles has raised the question of the correctness of charging the entire transmission main to gas department as considerable gas is used by applicant's electric plant. This position is sound unless Los Angeles Gas and Electric Corporation considers the gas supplied to the electric plant as secondary to the gas plant and only uses gas in the electric plant when not needed for the production of gas. This does not appear to be the position taken by applicant as regards the supply of gas to the electric plant and it appears that some credit should be made for this item. The amount of this reduction will, however, not exceed \$3,000.00 or \$1,000.00 per annum and is practically insignificant in connection with this proceeding.

Applicant in its exhibit has estimated an increase in other expenses as shown in Table No. 1. The main item of increase as estimated by applicant is increase in labor and material. The increase set forth by applicant on Exhibit No. 1 for increases of salaries of employees amounts to 1 cent per 1,000 cubic feet sold or a total of \$49,000.00. Applicant reports to the commission that it has increased the salaries to its employees commencing January, 1919, by an amount equal to approximately \$60,000.00 per annum in excess of 1918 salaries, and as this has been done I recommend that it be allowed.

Applicant has urged that allowance for operating expenses other than production be increased on a basis of the amount of gas sold after an average increase of 22 per cent is made on the cost of material and supplies used in operation during the year ending June 30, 1918, together with a pay-roll increase of \$46,135.00. It is very apparent to me that the basis of gas sales is not a correct basis upon which to estimate transmission, distribution, commercial and general expenses. It is possible that the result obtained is correct but the basis is not logical. The estimate of material and supply increase of 22 per cent over the cost for the year ending June 30, 1918, was based upon war conditions with its attending and continuing increases. Since the application was filed and the first hearing was held the armistice has been signed and there is nothing in the present situation justifying the conclusion that the estimated increase will be realized. Considering, however, the fact that applicant has curtailed its maintenance and operating expenses during the past year to a point where this method of operation can not continue indefinitely without detriment to the property, I believe in all fairness to the company and its consumers, who must depend upon the company for good service, that the estimates of applicant be in general accepted.

Applicant is engaged in active competition with Economic Gas Company in Los Angeles. Testimony of Mr. J. W. Wrenn of Economic Gas Company was to the effect that the cost of this competition, in additional employees, exchanging of meters, etc., amounts to at least \$15,000.00 per year on that company's system. If all similar cost to Los Angeles Gas and Electric Corporation could be eliminated an amount of at least \$20,000.00 per year could be saved.

Applicant is before the commission asking for an increase in rates to cover increased operating expenses and wherever possible unnecessary expense should be removed before the public is required to pay an increase in rates. The methods and practices employed by the two companies in their competition for business imposes unnecessary expenses upon their consumers and discontinuance would result in financial benefit to both. Under the circumstances the estimate of applicant for operating expenses should be reduced by \$20,000.00 to cover this item.

Applicant has included in its estimate of operating expenses the sum of \$289,926.00 for taxes. This estimate includes both state and federal taxes. The commission, in its Decision No. 5889, in Application No. 3962 of Western States Gas and Electric Company, decided that a utility should stand the burden of the war taxes imposed upon its net income, allowing, however, prewar federal taxes as well as state, county and municipal taxes as operating expenses. Of the total taxes estimated for the year 1919 by applicant, \$100,279.24 are federal taxes, consisting of federal capital stock tax, net income tax, income tax on tax-free bonds, war stamp tax and excess profit tax. From a study of the act of congress passed October 3, 1917, entitled, "An act to provide revenue to defray war expenses and for other purposes," it is apparent to me that both the letter and the spirit of the existing federal war revenue law (and it is but fair to assume likewise of any new law enacted for the same purpose) clearly contemplates the payment by the owners of utilities of that part of the tax assessed for war purposes provided for therein. Applicant's consumers should not pay the excess profit tax, and as stated above, the consumers should not be required to pay the income tax or capital stock tax in excess of prewar rates. The taxes other than state gross revenue tax which should be chargeable to the operation of the utility for 1919 are \$14,886.00 as against \$100,729.24 claimed by applicant. I will allow 5.6 per cent of the estimated gross revenue plus \$14,886.00 as the taxes chargeable to operation.

Applicant has estimated a gross revenue from carbon briquette sales of \$171,500.00 and operating expenses of \$115,640.00. This estimate of sales is based upon 1918 conditions when applicant sold considerably less briquettes than were produced and at the end of the period of record it had in stock considerable surplus of briquettes. With a normal year of temperature conditions, applicant's sale of briquettes should materially increase and rather than estimate the sales upon the minimum year conditions, it appears fair to base the revenue and expense from carbon briquette sales upon the basis of selling practically the amount of briquettes manufactured during the year. Upon this basis applicant's revenue from briquette sales should be \$220,000.00 for 1919 and its expenses \$143,000.00, the net profit from this business being \$77,000.00 for the year.

Table No. 2 following sets forth the revised estimate of statistics, operating expenses, capital and return of applicant, based upon the corrections heretofore set forth:

TABLE No. 2.

Estimated Capital and Operations, Los Angeles Gas and Electric Corporation, 1919.

Quality of gas, B. t. u., per cubic foot.....	815
Total gas sent out, 1,000 cubic feet.....	5,740,000
Total gas sales, 1,000 cubic feet.....	5,050,000
Unaccounted for gas, cubic feet.....	690,000
Per cent unaccounted for.....	12
Average number of consumers.....	140,000
<i>Revenue.</i>	
Operating gas sales (present rates).....	\$3,450,000
Byproducts.....	220,000
Total.....	\$3,670,000
<i>Expense.</i>	
Production.....	\$1,602,420
Transmission.....	2,000
Distribution.....	214,030
Commercial.....	307,030
General and miscellaneous.....	195,900
Carbon briquettes.....	143,000
Taxes.....	220,410
Uncollectible bills.....	18,380
Total.....	\$2,703,170
Net revenue for depreciation and return.....	906,830
Depreciation.....	221,860
Net return.....	744,970
Rate base.....	13,520,000
Per cent return.....	5.5
Increase of revenue to net 8 per cent.....	336,830
Average increase necessary per 1,000 cubic feet sold.....	6.63%

The cities of South Pasadena and Alhambra, in which a top rate of 80 cents per 1,000 cubic feet is now charged as compared with a top rate to the city of Pasadena of 75 cents, urged that due to comparative location and density of population and other causes affecting cost of service, they should be placed on the same schedule as the city of Pasadena. Evidence was introduced by the city of South Pasadena setting forth the comparative density of population, number of consumers, consumers per mile of main, sales per consumer, together with testimony regarding relative location of South Pasadena to the gas works at Los Angeles. Los Angeles Gas and Electric Corporation does not insist upon a continuation of the differential as it now exists provided the same return is obtained in its entirety as would be obtained by the continuation. Conditions of service in the city of South Pasadena are not identical with the city of Pasadena but are, in my opinion, sufficiently so to justify charging on the same schedules of rates in the two cities. Rates in the city of Huntington Park should be the same as in Alhambra. It does not appear that Alhambra rates should at this time be the same as those in Pasadena.

The city of Monterey Park contends that due to the fact that the density of population in the northern part of Monterey Park is approximately equal to that in the southern part of Alhambra, the same rate should apply in both districts, and that, therefore, the city of Monterey Park should be charged the same rates as the city of Alhambra. The evidence does not show any good reason for making the rates the same.

Los Angeles Gas and Electric Corporation requests an increase in rates in the form of a surcharge rather than a permanent change in the rates. The commission has, in the past, due to the emergency nature of various proceedings, authorized utilities to increase their rates in the form of a surcharge, especially in the case of electric utilities where a readjustment of the general rate structure would involve an unnecessary delay in the proceeding. In the case of a gas utility, and especially in this instance, the expenses for the coming year can be closely estimated. A complete fixing of rates was made in 1917, and the operations of the utility are not subject to the possibility of as great a fluctuation as in the case of hydroelectric companies whose expenses vary considerably with variation in supply of water to their hydroelectric plants.

In this instance an average increase per 1,000 cubic feet necessary to grant applicant an 8 per cent return in the future would require an increase of approximately 7 cents per 1,000 cubic feet to cover increased cost, including state taxes thereon.

In the estimates herein, the cost of oil has been figured on the basis of \$1.60 per barrel, although a part of that used in 1919 will have been purchased at \$1.40, due to the amount of oil in storage upon the first of the year. There appears little probability of an early material reduction in the cost of production of present quality of gas. Indications are that a reduction in the price of oil can not be expected and a major part of the remaining cost of operation is labor, a material reduction of which is not apparent at this time. Applicant can possibly reduce the cost of operation as heretofore stated by the use of more natural gas, and it should be its duty to take steps in that direction.

I recommend in this instance that a readjustment of rate schedules be made rather than an additional surcharge.

City of Los Angeles claims that the heating units contained in gas supplied by Los Angeles Gas and Electric Corporation are less than 815 B.t.u. per cubic foot. There appears to be a discrepancy in the results of tests made by the company and the city. The rates fixed in Decision No. 4852 were for the quality of gas then being served and which had been served during the preceding year, which was reported by the company as at least 815 B.t.u. per cubic foot. This quality of gas should be served.

The rates set forth in the order herein will result in an increase in

the average rate received by applicant from 68.32 cents per 1,000 cubic feet sold to 75 cents per 1,000 cubic feet, or, applied to the sales for the remainder of 1919, in an increase of \$263,000.00. If applied to the sales for twelve months succeeding the effective date of the order herein, the increase should amount to \$337,000.00. On basis of 1918, the net return of applicant will be under conditions of operation as set forth, approximately 7.36 per cent, and for a complete year 7.87 per cent.

I recommend the following form of order:

ORDER.

Los Angeles Gas and Electric Corporation having filed its application for an increase in rates for gas, and the city of South Pasadena having filed a complaint regarding the rates of Los Angeles Gas and Electric Corporation in that city, a hearing having been held and the matter having been submitted by stipulation as set forth in the opinion preceding this order,

The Railroad Commission hereby finds as a fact that the rates now charged by Los Angeles Gas and Electric Corporation are unjust and unreasonable in so far as they differ from the rates herein established, which rates are found to be just and reasonable;

Basing its order on the foregoing finding of fact and on the findings of fact contained in the opinion which precedes this order,

It is hereby ordered that Los Angeles Gas and Electric Corporation be and the same is hereby authorized to charge and collect the following rates for gas sold, based upon bills rendered on all regular meter readings taken on and after March 1, 1919:

RATE No. 1.

Applicable within that territory heretofore known as Rate District No. 1.
 First 5,000 cubic feet per meter per month-- 75 cents per 1,000 cubic feet
 Next 5,000 cubic feet per meter per month-- 70 cents per 1,000 cubic feet
 Next 15,000 cubic feet per meter per month-- 65 cents per 1,000 cubic feet
 Next 25,000 cubic feet per meter per month-- 60 cents per 1,000 cubic feet
 All over 50,000 cubic feet per meter per month 55 cents per 1,000 cubic feet

Minimum charge:

Minimum bill, for flats and apartments where four (4) or more meters are served in one location and on one service, 35 cents per meter per month.
 Minimum bill for domestic and commercial service other than above, 50 cents per meter per month.

RATE No. 2.

Applicable within the cities of Pasadena and South Pasadena.
 First 4,000 cubic feet per meter per month-- 80 cents per 1,000 cubic feet
 Next 6,000 cubic feet per meter per month-- 70 cents per 1,000 cubic feet
 Next 15,000 cubic feet per meter per month-- 65 cents per 1,000 cubic feet
 Next 25,000 cubic feet per meter per month-- 60 cents per 1,000 cubic feet
 All over 50,000 cubic feet per meter per month 55 cents per 1,000 cubic feet

Minimum charge:

Minimum bill, for flats and apartments where four (4) or more meters are served in one location and on one service, 35 cents per meter per month.
 Minimum bill, for domestic and commercial service other than above, 50 cents per meter per month.

RATE No. 3.

Applicable to the cities of Alhambra and Huntington Park.

First 4,000 cubic feet per meter per month— 85 cents per 1,000 cubic feet
 Next 6,000 cubic feet per meter per month— 75 cents per 1,000 cubic feet
 Next 15,000 cubic feet per meter per month— 65 cents per 1,000 cubic feet
 Next 25,000 cubic feet per meter per month— 60 cents per 1,000 cubic feet
 All over 50,000 cubic feet per meter per month 55 cents per 1,000 cubic feet

Minimum charge:

Minimum bill, for flats and apartments where four (4) or more meters are served in one location and on one service, 35 cents per meter per month.

Minimum bill, for domestic and commercial service other than above, 50 cents per meter per month.

RATE No. 4.

Applicable within the following territory: All territory not included under Rates Nos. 1, 2 and 3 served by Los Angeles Gas and Electric Corporation, including the incorporate territories of San Marino, San Gabriel, Eagle Rock, Vernon, Watts, Inglewood and Monterey Park.

First 4,000 cubic feet per meter per month— 90 cents per 1,000 cubic feet
 Next 6,000 cubic feet per meter per month— 80 cents per 1,000 cubic feet
 Next 15,000 cubic feet per meter per month— 70 cents per 1,000 cubic feet
 Next 25,000 cubic feet per meter per month— 60 cents per 1,000 cubic feet
 All over 50,000 cubic feet per meter per month 55 cents per 1,000 cubic feet

Minimum charge:

Minimum bill, for flats and apartments where four (4) or more meters are served in one location and on one service, 35 cents per meter per month.

Minimum bill, for domestic and commercial service other than above, 50 cents per meter per month.

It is further ordered that Los Angeles Gas and Electric Corporation file with the Railroad Commission said rates herein established within ten (10) days from the date of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-first day of February, 1919.

DECISION No. 6140.

IN THE MATTER OF THE APPLICATION OF ECONOMIC GAS COMPANY,
 A CORPORATION, FOR AN ORDER INCREASING ITS RATES.

Application No. 4053.

Decided February 21, 1919.

Chickering & Gregory and John E. Bibb, for Economic Gas Company.

Albert Lee Stephens and F. D. Howell, for the City of Los Angeles.

DEVLIN, *Commissioner.*

OPINION.

Economic Gas Company, applicant herein, in its original application alleged that due to increased expenses caused by increase in cost of procuring gas and increased cost of distribution, including labor and

material and supplies, it was not now earning a reasonable return upon its investment and requested that it be granted an increase in all its rates equal to the increase which the commission might allow Los Angeles Gas and Electric Corporation in its decision in Application No. 4009.

A hearing in this application was held in conjunction with Application No. 4009 and later submitted by stipulation and brief without a final hearing due to the epidemic of influenza which had continued for some time in Los Angeles. Prior to the final submission of the application, Economic Gas Company amended its original pleadings and requested that its rates for residence, domestic and general commercial service be made equal to those which the commission might fix for Los Angeles Gas and Electric Corporation. The applicant requests that this commission allow such increases as it may see fit in its other rates.

Economic Gas Company operates a gas distribution system in the central part of the city of Los Angeles in direct competition with Los Angeles Gas and Electric Corporation. Applicant's supply of gas is obtained from what is generally termed the "Sherman Oil Fields." Some artificial gas is manufactured to supply consumers during times when the natural gas supply is not sufficient. The evidence introduced in Application No. 4009 by the city of Los Angeles shows that the B. t. u. content of the gas supplied by Economic Gas Company and Los Angeles Gas and Electric Corporation is practically equal.

Economic Gas Company supplies natural gas to large commercial consumers and industrial consumers at rates below the general domestic and commercial service rate. The rate schedule for domestic and commercial service of the Economic Gas Company is as follows:

CLASS "A" SERVICE.

	Per 1,000 cubic feet.
First 3,000 cubic feet per month.....	64½ cents
Next 7,000 cubic feet per month.....	60 cents
Next 15,000 cubic feet per month.....	55 cents
Next 25,000 cubic feet per month.....	50 cents
All over 50,000 cubic feet per month.....	45 cents
No minimum monthly charge.	

This schedule compares with the domestic and commercial schedule of Los Angeles Gas and Electric Corporation, which has a top rate of 68 cents per 1,000 cubic feet for the first 5,000 cubic feet per month. In addition to this rate, Economic Gas Company has in effect five industrial or semi-industrial rates which are in effect as follows:

CLASS "B" SERVICE.

House Heating, Water Heating, Steam and Power Generation.

40 cents per 1,000 cubic feet.
Minimum monthly bill, \$5.00.

CLASS "C" SERVICE.

Industrial, Including Steam and Power Generation.

30 cents per 1,000 cubic feet.

Minimum monthly bill, \$25.00.

CLASS "D" AND "E" SERVICE.

Commercial and Industrial.

Consisting of bona fide manufacturers of wholesale products, including steam and power generation.

25 cents per 1,000 cubic feet.

Minimum monthly bill, \$125.00.

CLASS "F" SERVICE.

Industrial.

Consumers to provide own storage and draw gas from mains between hours of 10.00 p.m. and 5.00 a.m. only.

Any quantity, 20 cents per 1,000 cubic feet.

Minimum bill, \$100.00.

Applicant has no consumers on Class "F," but has several consumers on the other industrial classes of service.

It appears from the evidence in this application that Economic Gas Company's operations for the year 1917 and the first six months of 1918 were as follows:

	Six months ending June 30, 1917	Six months ending Dec- ember 31, 1917	Six months ending June 30, 1918
Gas sold, cubic feet.....	210,971.700	253,044.030	267,157.000
Gross revenue	\$119,165 06	\$117,093 75	\$122,515 19
Operating expenses	103,539 89	96,000 38	106,502 44
Net operations for depreciation and re- turn	\$15,625 17	\$21,093 37	\$16,012 75
Interest charges	11,047 20	12,768 65	16,119 41
Net balance	\$4,577 97	\$8,324 72	\$106 66

It appears from the evidence that the demand of applicant's consumers has equalled its supply of natural gas and that there is no apparent expansion of business.

Mr. J. W. Wrenn, applicant's manager, testified that as a result of applicant's competition with Los Angeles Gas and Electric Corporation the company was expending at least \$15,000.00 per year in order to hold its own against that corporation's competition; and that if the necessity for this active competition could be eliminated at least that much saving would result.

As set forth in this commission's decision in Application No. 4009, Decision No. 6139, this day issued, it is the duty of Los Angeles Gas and Electric Corporation and Economic Gas Company to call a halt to this

unnecessary expense before the public is asked to pay increased rates, and I recommend that this be done.

No valuation has been definitely determined for the Economic Gas Company's properties. However, it is apparent from information before the commission that the company is earning a very low return and I am of the opinion therefore that an adjustment of rates should be made; and that the rates of Economic Gas Company for residence, domestic and commercial service should be the same as those charged by Los Angeles Gas and Electric Corporation.

Applicant has increased its amount of sales materially by its industrial rates but it appears from the records of the company that with the material increase in sale of gas its gross revenue has practically not changed and its net revenue has, during the latter part of 1918, decreased.

Applicant paid 14 cents per 1,000 cubic feet less 5 per cent for leakage for the gas which it purchased and distributed in 1917. The same price was paid for most of the gas in 1918, part of the gas being purchased at 21 cents per 1,000 cubic feet. The average cost of gas purchased and produced by the company for the first six months of 1918 equalled 20.8 cents.

Applicant has operated its artificial gas plant considerably during 1918 owing to the lack of natural gas to supply all its consumers. The service under the lower rates is subject to discontinuance in case of shortage and it would appear false economy to manufacture gas at a cost in excess of the revenue from the industrial consumers rather than to temporarily discontinue certain of them in case of shortage.

The natural gas available to applicant in excess of that used by Class "A" consumers should be used and not wasted. It must, however, be subject to shut-off in case of shortage of supply and consumers should maintain other fuel supply to take care of such condition. Rates for such service must meet the competition with other fuels. In the order herein industrial rates will be fixed for the utilization of natural gas with the understanding that service is subject to discontinuance in case of shortage.

I recommend the following form of order:

ORDER.

Economic Gas Company having applied to the Railroad Commission for authority to increase its rates, and a public hearing having been held and the matter being submitted and now ready for decision,

The Railroad Commission finds as a fact that the rates now charged by Economic Gas Company are unjust and unreasonable in so far as they differ from the rates herein established, and that said rates herein established are just and reasonable.

Basing its order on the foregoing finding of fact and on the further findings of facts set forth in the opinion preceding this order,

It is hereby ordered that Economic Gas Company be and is hereby authorized to charge the following rates for natural gas having an average heat content of approximately 815 B.t.u. per cubic foot, said rates to be applicable to all bills based on meter readings taken on and after March 1, 1919:

SCHEDULE NO. 1.

Class A Service.

General service.

Applicable to the supply of natural gas for an average heat content of approximately 815 B. t. u. per cubic foot for domestic and commercial service for lighting, heating and cooking.

Rate.	Per 1,000 cubic feet.
First 5,000 cubic feet per meter per month.....	75 cents
Next 5,000 cubic feet per meter per month.....	70 cents
Next 15,000 cubic feet per meter per month.....	65 cents
Next 25,000 cubic feet per meter per month.....	60 cents
All over 50,000 cubic feet per meter per month.....	55 cents

Minimum charge.

Minimum bill, for flats and apartments where four (4) or more meters are served in one location and on one service, 35 cents per meter per month.

Minimum bill, for domestic and commercial service other than above, 50 cents per meter per month.

Special condition.

Consumers served under this schedule have priority in the use of gas over consumers served under Schedules Nos. 2 and 3.

SCHEDULE NO. 2.

Class B Service.

Character of service.

Applicable to the supply of natural gas of an average heat content of approximately 815 B. t. u. per cubic foot for service to restaurants, bakeries and hotels for cooking, baking and water heating other than for air heating:

Rate.	Per 1,000 cubic feet.
First 100,000 cubic feet per month.....	50 cents
Next 100,000 cubic feet per month.....	45 cents
All over 200,000 cubic feet.....	40 cents
Minimum charge, \$50.00 per month.	

Special condition.

Service of gas under this rate is limited to the available supply of natural gas. Consumers under this schedule have priority in the use of gas over consumers served under Schedule No. 3. Service is, however, subject to discontinuance on 30 minutes notice in case of shortage of supply.

SCHEDULE NO. 3.

Class C Service—Industrial.

Character of service.

Applicable to service of natural gas of approximately 815 B. t. u. for industrial use such as bakeries, packing houses, metal working plants, preserving and canning establishments and other industrial establishments whose demand for gas is not dependent upon atmospheric temperature or upon the preparation of meals, and whose time of maximum demand does not coincide with the maximum demand of consumers receiving service under schedules Nos. 1 and 2.

Rate.

(A) Where consumer guarantees monthly minimum of \$70.00:

	Per 1,000 cubic feet
First 200,000 cubic feet per month.....	35 cents
All over 200,000 cubic feet per month.....	30 cents

(B) Where consumer guarantees monthly minimum of \$120.00:

	Per 1,000 cubic feet
First 400,000 cubic feet per month.....	30 cents
All over 400,000 cubic feet per month.....	25 cents

(C) Where consumer guarantees monthly minimum of \$200.00:

	Per 1,000 cubic feet
First 800,000 cubic feet per month.....	25 cents
All over 800,000 cubic feet per month.....	20 cents

Special conditions.

(1) In consideration of the reduced rates, service hereunder is subject to discontinuance upon 20 minutes notice under rates (A), 10 minutes notice under rate (B) and upon notice under rate (C) in case of shortage of supply of natural gas.

(2) The company will not be liable for loss or damage due to any failure to supply and consumers should maintain other supply of fuel.

(3) In case of shortage of gas to consumers operating under Schedule No. 3, those receiving gas under rate (C) will be first to be discontinued, then those under rate (B) and lastly those under rate (A).

It is hereby further ordered that Economic Gas Company file with the commission within ten days from date of this order, revised schedule of rates to conform with order herein.

It is hereby further ordered that Economic Gas Company, on or before the thirtieth day of each month, shall file with this commission a report setting forth such information as the commission shall direct, covering the operation of the Economic Gas Company for the preceding month.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-first day of February, 1919.

DECISION No. 6141.

IN THE MATTER OF THE APPLICATION OF CENTRAL COUNTIES GAS
COMPANY FOR PERMISSION TO ISSUE STOCKS AND BONDS.

Application No. 4308.*Decided February 25, 1919.*

*John Earle Jardine and F. W. Hunter, for Applicant.**J. E. White, for Welsbach Company.**LOVELAND, Commissioner.***OPINION.**

This application involves the transfer of the properties, formerly owned by the Central California Gas Company, to Central Counties Gas Company; the issue of \$75,000.00 of stock and \$300,000.00 of bonds of Central Counties Gas Company to acquire the properties and pay reorganization expenses, and the execution of a deed of trust.

On July 1, 1912, Central California Gas Company executed to Los Angeles Trust and Savings Bank, trustee, its deed of trust securing the payment of \$500,000.00 of 6 per cent twenty year bonds. Central California Gas Company issued \$300,000.00 of these bonds. The petition shows that subsequent to the issue of the bonds, default was made not only in the payment of interest but also in the performance of other covenants of the deed of trust. On July 31, 1917, an action was begun in the Superior Court of the state of California in and for the county of Tulare wherein Los Angeles Trust and Savings Bank, trustee, was plaintiff and Central California Gas Company et al., were defendants, to foreclose the deed of trust. On April 5, 1918, the court entered a decree directing the sale of the properties of the defendant corporation for the purpose of satisfying the payment of its bonded indebtedness. On May 18, 1918, the properties were sold to John Earle Jardine, J. W. Edminson and G. W. Vosburg, trustees, representing the owners of bonds of Central California Gas Company. On June 4, 1918, the court confirmed the sale and on the same date a deed was executed and delivered to John Earle Jardine, J. W. Edminson and G. W. Vosburg, as trustees, by S. Mitchell, commissioner appointed by the court to make the sale. The deed is recorded in Book 262, page 259 of Deeds, Records of Tulare County. Since the execution of this deed, John Earle Jardine, J. W. Edminson and G. W. Vosburg, as trustees, have been operating the properties formerly owned and operated by Central California Gas Company. A description of the properties which they

acquired is contained in Exhibit No. 2. The record shows that the trustees acquired all of the properties formerly owned by the Central California Gas Company and that all of the properties acquired by them at the foreclosure sale will be transferred to the Central Counties Gas Company.

All of the \$300,000.00 of bonds issued by Central California Gas Company were deposited under a bondholders' agreement, dated June 15, 1917. The agreement, among other things, authorizes the reorganization committee (G. W. Vosburg, J. W. Edminson and John Earle Jardine) to organize a new corporation and to determine the amount of stock which such new corporation might issue for the purpose of carrying out the bondholders' agreement. The committee has caused to be organized Central Counties Gas Company with an authorized capital stock of \$500,000.00, divided into 500,000 shares of the par value of \$1.00 each. The \$500,000.00 of stock consists of \$200,000.00 of 7 per cent cumulative preferred and \$300,000.00 of common. The committee, or rather the trustees, who have acquired the properties of Central California Gas Company have offered to convey all of these properties to Central Counties Gas Company for \$300,000.00 of bonds and \$75,000.00 of common stock. The committee proposes to distribute the bonds to the holders of the bonds of Central California Gas Company in the same denominations and of the same face value as the original ownership of the bonds of Central California Gas Company. The committee will accept the stock on the basis of 80. Stock in the amount of \$47,500.00 is to be distributed to the bondholders of Central California Gas Company in proportion to their ownership of bonds for the purpose of satisfying delinquent interest payments. The accrued and unpaid interest to January 1, 1919, is reported at \$38,000.00. The remaining \$27,500.00 of common stock the committee intends to sell for not less than 80 and use the proceeds to pay expenses resulting from and incidental to the foreclosure of the deed of trust of Central California Gas Company. In Exhibit No. 3 such expenses are reported at \$22,250.33. In addition the committee asks as compensation the sum of \$2,923.53, making a total of \$25,173.86. The expenses reported in Exhibit No. 3 are of such a nature that they should be paid before any of the proceeds from the sale of the stock is used to pay members of the reorganization committee.

Central Counties Gas Company asks authority to execute to Los Angeles Trust and Savings Bank, trustee, a deed of trust securing the payment of \$500,000.00 of 6 per cent 20 year bonds, payable January 1, 1939. Bonds in the amount of \$300,000.00 will be issued forthwith for the purpose indicated herein. From time to time additional bonds (not exceeding \$200,000.00 in the aggregate) may be issued, under the terms of the deed of trust, to an amount or amounts in par value not

exceeding in the aggregate 75 per cent of the actual and reasonable cash expenditures by the company for permanent additions or improvements to its properties subject, among others, to the condition that the trustee certify no bonds unless the earnings of the company for twelve months next preceding each respective application for the certification of bonds, and after deducting from such earnings all operating expenses including taxes, insurance and customary expenditures for current repairs or current maintenance, ordinarily chargeable to operating expenses, have been equal to at least one and one-half times the annual interest charges on all bonds issued and outstanding, together with the annual interest charges on all bonds sought to be certified.

The bonds are redeemable on January 1, 1922, or on any interest payment date thereafter at 103. The lien of the deed of trust attaches to all of the property owned by the company at the time the instrument is executed and to all property thereafter acquired. To reinforce the security for the payment of the bonds, the company agrees to create a sinking fund to redeem bonds and a special trust fund to finance the acquisition of new property. John Earle Jardine, president of Central Counties Gas Company, has advised the commission that there will be eliminated from the form of the bond the following language: "This bond has been authorized by, and is issued under and by virtue of an order of the Railroad Commission of the state of California."

In Decision No. 6014, dated December 23, 1918, the commission fixed a rate which, it is estimated, will yield sufficient revenue to cover operating expenses, including taxes and depreciation and a 6 per cent return on \$350,000.00. While an appraisal of the properties has been submitted, it does not seem necessary to make a definite finding of the cost of the properties for the purposes of this proceeding.

Central Counties Gas Company will assume the payment of all current indebtedness incurred by Receiver S. Mitchell or by John Earle Jardine, J. W. Edminson and G. W. Vosburg, as trustees, representing the bondholders. With this assurance by the president of the company, J. E. White, representing Welsbach Company, withdrew his objection to the granting of this application.

I herewith submit the following form of order:

ORDER.

Application having been made to the Railroad Commission for an order authorizing the sale and transfer of the properties referred to in the foregoing opinion and for an order authorizing the execution of a deed of trust and the issue of stock and bonds by Central Counties Gas Company, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to

be procured or paid for by the issue of the stock and bonds herein authorized, is reasonably required for the purpose or purposes specified in the order and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that John Earle Jardine, J. W. Edminson and G. W. Vosburg, as trustees, representing the bondholders of Central California Gas Company, be and they are hereby authorized to transfer to Central Counties Gas Company, the properties described in Exhibit No. 2, it being understood, that all of the properties acquired by the trustees at the foreclosure sale, held on May 18, 1918, will be transferred to Central Counties Gas Company.

It is hereby further ordered that Central Counties Gas Company be and it is hereby granted authority to execute a deed of trust substantially in the same form as the deed of trust attached to the petition herein and marked Exhibit "C," provided the language: "This bond has been authorized by, and is issued under and by virtue of an order of the Railroad Commission of the state of California," be eliminated from the form of the bond.

It is hereby further ordered that Central Counties Gas Company be and it is hereby granted authority to issue \$75,000.00 of stock and \$300,000.00 of first mortgage 6 per cent 20-year bonds, payable January 1, 1939.

The authority herein granted is upon the following conditions and not otherwise:

1. The bonds herein authorized shall be issued at par to the committee referred to in the foregoing opinion and by it distributed to the holders of bonds of Central California Gas Company in the same denominations and of the same face value as the original ownership of the bonds of Central California Gas Company, and as outlined in the petition herein.

2. The stock herein authorized shall be issued to the committee referred to in the foregoing opinion on a basis of not less than 80 and \$47,500.00 of stock distributed by the committee to the bondholders of Central California Gas Company in proportion to their ownership of bonds for the purpose of satisfying delinquent interest payments; the remaining \$27,500.00 shall be sold by the committee at not less than 80 and the proceeds used to pay, in the manner set forth in the foregoing opinion, the expenses resulting from and incidental to the foreclosure of the deed of trust of Central California Gas Company.

3. The approval herein given of the deed of trust is for the purpose of this proceeding only and an approval only in so far as this commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said deed of trust as to such other legal requirements to which said deed of trust may be subject.

4. The amount of securities herein authorized to be issued by Central Counties Gas Company shall never be urged before this commission or other public body as a rate base or as representing the value of the properties for any purpose other than that referred to in this proceeding.

5. Within thirty days after the execution by the petitioners herein of an instrument of conveyance transferring the properties referred to herein, a certified copy of said instrument of conveyance shall be filed with the Railroad Commission by Central Counties Gas Company.

6. Central Counties Gas Company shall submit to the commission for approval the book entries relative to the transfer and purchase of the properties referred to herein.

7. Central Counties Gas Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds from the sale of the stock and bonds herein authorized to be issued and until all of said stock and bonds are issued and the proceeds expended, shall on or before the twenty-fifth day of each month make verified reports to the Railroad Commission in accordance with the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

8. The authority herein granted shall not become effective until Central Counties Gas Company has paid the fee prescribed in the Public Utilities Act.

9. The authority herein granted shall apply only to such stock and bonds as may be issued on or before August 1, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-fifth day of February, 1919.

DECISION No. 6143.

IN THE MATTER OF THE APPLICATION OF CALIFORNIA SOUTHERN
RAILROAD COMPANY FOR LEAVE TO ISSUE BONDS.

Application No. 4153.*Decided February 25, 1919.*

Ward Chapman, for California Southern Railroad Company.

C. T. Clotfelder, for The Atchison, Topeka and Santa Fe Railway Company.
Protestant.MARTIN, *Commissioner*.

OPINION.

California Southern Railroad Company, in its amended petition, filed February 7, 1919, in the above-entitled matter, asks authority to issue at not less than 80, \$40,000.00 of its second mortgage 6 per cent bonds due November 1, 1955. Originally, applicant intended to issue \$40,000.00 of its first mortgage bonds. Because of objections by The Atchison, Topeka and Santa Fe Railway Company, applicant concluded to issue \$40,000.00 of its second mortgage bonds instead of its first mortgage bonds.

Applicant reports \$213,000.00 of its first mortgage and \$262,000.00 of its second mortgage bonds outstanding.

The \$40,000.00 of bonds which applicant now intends to issue are to be sold to provide funds for the improvement of its line of railway from Blythe to Blythe Junction in the Palo Verde Valley. It appears that in August and September, 1918, a considerable portion of the railroad was washed out by floods and that in order to avoid a recurrence of a similar interruption of operation, certain betterments, consisting chiefly of bridges and culverts, will have to be made. An estimate of the contemplated betterments was filed with the commission and aggregates \$27,062.00. Of this expenditure, according to applicant, \$25,187.00 will be chargeable to capital account and \$1,875.00 to operation.

In its amended petition, applicant does not ask authority to issue, nor does it intend to issue bonds for the purpose of financing expenditures chargeable to operating expenditures.

I believe that the betterments contemplated by applicant should be made, and that if made, they will result not only in a safer line of railway but also in a lowered cost of maintenance and operation. It is impossible at this time to determine what proportion of the proposed expenditures is a proper charge to capital account, and what part of

the cost should be charged to operating expenses. I suggest, therefore, that the application be granted subject to the condition that none of the proceeds obtained from the sale of the bonds shall be disbursed until the work proposed by applicant is completed in whole or in part, and until proper segregation as between operating expenses and capital accounts is made.

I herewith submit the following form of order:

ORDER.

California Southern Railroad Company having applied to the Railroad Commission for authority to issue \$40,000.00 par value of its second mortgage 6 per cent bonds, a public hearing having been held and it appearing to the Railroad Commission that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purpose or purposes, as may hereafter be authorized by the Railroad Commission, are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that California Southern Railroad Company be and it is hereby granted authority to issue \$40,000.00 par value of its second mortgage 6 per cent bonds payable July 1, 1955, upon the following conditions, and not otherwise:

(1) The bonds herein authorized to be issued shall be sold by applicant for cash at not less than 80 per cent of their face value plus accrued interest.

(2) The proceeds obtained from the sale of the bonds herein authorized to be issued shall be deposited by applicant in a special bank account, as required by the commission's General Order No. 24, and expended only for such purposes as the Railroad Commission may hereafter authorize, it being understood that applicant will from time to time, file with the commission a statement giving a full and detailed description of actual work done and the actual cost thereof, with segregation between capital account and operating expenses.

(3) California Southern Railroad Company shall keep separate, true and accurate account showing the receipt and application in detail of the proceeds of the bonds herein authorized to be issued, and on or before the twenty-fifth day of each month, the company shall make a verified report to the Railroad Commission, as required by the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(4) The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

(5) The authority herein granted shall apply only to such bonds as shall be issued on or before December 31, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-fifth day of February, 1919.

DECISION No. 6146.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY AND CITY OF GLENDALE, FOR AN ORDER AUTHORIZING THE SALE TO SAID CITY OF A PORTION OF SAID COMPANY'S PROPERTIES SITUATED WITHIN SAID CITY.

Application No. 4193.

Decided February 25, 1919.

BY THE COMMISSION:

ORDER.

Southern California Edison Company having applied to the Railroad Commission for authority to sell to the city of Glendale—

"All electric distribution lines of the company located in that portion of the municipal boundaries of the city of Glendale which was formerly within the municipal boundaries of the city of Tropic, including 2,200 volt primaries, street lighting circuits, street lamps, transformers, secondary wires, service wires, meters, and all appliances belonging to them or any of them, excepting the following:

- (1) Poles, wires, cross-arms and fittings of the company used in transmission of electricity at 15,000 volts or higher voltage and / or for telephone circuits.
- (2) Substation and its equipment located at Oxford street and Southern Pacific tracks.
- (3) Glassell Park, 2,200 volt circuit, including wires and insulators.
- (4) Cypress Park, 2,200 volt circuit, including wires and insulators.
- (5) Carmel street, 2,200 volt circuit, branching off from Glassell Park circuit.
- (6) Two 20-kilowatt transformers located on Glendale avenue, and the service wires and conduits supplying three-phase current to Forest Lawn Cemetery.

It being the intention of the parties to this application that poles supporting both circuits or circuit belonging or to belong to the city, and circuit or circuits belonging and to continue to belong to the company shall belong to the city, except in case of poles supporting a circuit of the company transmitting electricity at a voltage of 15,000 volts or higher, which poles shall continue to be the property of the company;

And a difference of opinion having arisen between the city of Glendale and the Southern California Edison Company in regard to the interpretation of the commission's order in Decision No. 268, dated October 9, 1912 (Vol. 1, Opinions and Orders of the Railroad Commis-

sion of California, page 718), and the commission having carefully examined the record in this proceeding and being of the opinion that the city of Glendale should pay for the aforesaid properties as of August 31, 1918, a sum of not exceeding \$34,611.00; that this is not a case in which a public hearing is necessary, and that this application should be granted.

It is hereby ordered that Southern California Edison Company be and it is hereby granted authority to sell the properties referred to herein as they existed on August 31, 1918, for the sum of not exceeding \$34,611.00 plus such an additional amount as may represent the expenditures for material and labor, plus an allowance of 10 per cent for supervision, subsequent to August 31, 1918, and prior to the date of the transfer of the properties herein authorized; provided that the authority herein shall apply only to such properties as may be transferred on or before May 1, 1919; and provided, further, that within thirty days after the transfer of the property herein authorized, Southern California Edison Company shall file with the Railroad Commission a statement showing in detail the properties which have been transferred to the city of Glendale and the cost thereof to the city of Glendale.

Dated at San Francisco, California, this twenty-fifth day of February, 1919.

DECISION No. 6147.

IN THE MATTER OF THE APPLICATION OF (a) RIVER STREET DITCH COMPANY FOR AN ORDER AUTHORIZING IT TO SELL AND FARMERS IRRIGATION COMPANY FOR AN ORDER AUTHORIZING IT TO BUY, THAT CERTAIN WATER RIGHT, WATER DITCH AND WATER SYSTEM COMMONLY CALLED "RIVER STREET DITCH," IN VENTURA COUNTY, CALIFORNIA, AND FARMERS IRRIGATION COMPANY FOR AN ORDER AUTHORIZING IT TO ISSUE AND DELIVER TO RIVER STREET DITCH COMPANY, AND RIVER STREET DITCH COMPANY FOR AN ORDER AUTHORIZING IT TO ACCEPT FIFTEEN THOUSAND FIVE HUNDRED DOLLARS PAR VALUE OF THE CAPITAL STOCK OF FARMERS IRRIGATION COMPANY, IN FULL PAYMENT FOR SAID PROPERTY; (b) FARMERS IRRIGATION COMPANY FOR AN ORDER AUTHORIZING IT TO SELL AND ISSUE TWENTY-THREE THOUSAND NINE HUNDRED DOLLARS PAR VALUE OR TWO HUNDRED THIRTY-NINE SHARES OF ITS CAPITAL STOCK, AND TO DEVOTE THE PROCEEDS OF SAME TO PUBLIC UTILITY PURPOSES, NAMELY, TO IMPROVEMENTS IN ITS WATER SYSTEM; (c) FARMERS IRRIGATION COMPANY FOR AN ORDER RATIFYING CERTAIN CAPITAL INVESTMENTS HERETOFORE MADE BY IT; TO APPLY THE PROCEEDS ARISING FROM THE SALE OF SAID TWO HUNDRED THIRTY-NINE SHARES OF ITS CAPITAL STOCK TO REIMBURSING ITSELF FOR MONEY EXPENDED FOR SAID IMPROVEMENTS; TO BORROW SUCH SUMS IN ADDITION AS ARE NECESSARY TO ENABLE IT TO COMPLETE ITS PROJECTED IMPROVEMENTS AND TO AUTHORIZE IT, UPON THE INCREASE OF ITS CAPITAL STOCK, TO SELL AT PAR SUCH

A NUMBER OF SAID SHARES AS WILL ENABLE IT TO LIQUIDATE ITS INDEBTEDNESS, AND TO BE INCURRED BY IT FOR CAPITAL PURPOSES.

Application No. 4169.

Decided February 25, 1919.

George E. Farrand, for Applicants.

BY THE COMMISSION :

OPINION.

In this application, as amended, at the hearing held February 4, 1919, applicants ask the Railroad Commission to make its order authorizing them to perform the following acts:

(1) River Street Ditch Company to sell its properties described in Exhibit "I," attached hereto, to Farmers Irrigation Company in exchange for \$15,500.00 par value of stock.

(2) Farmers Irrigation Company to issue \$15,500.00 of stock for the purpose of acquiring the properties of River Street Ditch Company and to issue, at par, additional stock for the purpose of financing the improvements referred to in Exhibits "B" and "C," attached to the petition herein, and to which reference will be made hereafter.

River Street Ditch Company, pursuant to orders of the Railroad Commission, has issued \$15,500.00 par value of stock. It is the intention of the company to transfer all of its property to the Farmers Irrigation Company in exchange for \$15,500.00 of that company's stock. The record shows that the controlling interests of the River Street Ditch Company and Farmers Irrigation Company are the same. While there is some difference in stockholding in the two companies, no one appeared at the hearing in this application, before Examiner Encell, to protest against the transfer of the property or the issue of stock by Farmers Irrigation Company.

Both River Street Ditch Company and Farmers Irrigation Company take their water from the Santa Clara River at or near Santa Paula. The ditches of these two companies, the former known as the "River Street Ditch" and the latter as the "Farmers Ditch," have their intakes close together. Each of the ditches, generally speaking, parallel each other several miles from their intakes down the Santa Clara Valley. The testimony shows that the River Street Ditch runs at a lower level than the Farmers Ditch. There is a narrow strip of land which lies between the two ditches. If this application is granted, part of the River Street Ditch will be abandoned and all of the water necessary

to serve the consumers of the Farmers Irrigation Company and of the River Street Ditch will be diverted through the intake of the Farmers Ditch and distributed through the Farmers Irrigation Company system. Mr. C. C. Teague, president of the River Street Ditch Company, testified that any change in the diversion of the water and its distribution will in no way prevent the consumers of the River Street Ditch Company from receiving an adequate supply of water and that the transfer of the property and the installation of the improvements contemplated by the Farmers Irrigation Company would inure to the benefit of those who have been receiving water through the River Street Ditch. He further believes that the consolidation of the two properties will tend toward economy and better service.

In Exhibit "B," attached to the petition, applicants report that Farmers Irrigation Company has expended during the early part of 1918 the sum of \$13,674.18 for improvements. In Exhibit "C," the cost of additional improvements is reported at \$37,487.75, making a total expenditure of \$51,161.93. To finance these improvements, the Farmers Irrigation Company requests permission to issue stock at par. Until all of the improvements have been installed, the company is not in a position to advise the commission of their exact cost. The order herein will authorize the Farmers Irrigation Company to issue \$51,200.00 of stock for the purpose of financing the improvements referred to in Exhibit "B" and "C." In the event that the cost of these improvements should materially exceed the estimate, the issue of additional stock can be taken care of by a supplemental order in this proceeding. The improvements referred to in Exhibits "B" and "C" consists, in the main, in replacing open dirt ditches with concrete pipe varying from 42 inches to 48 inches in diameter. The installation of a pipe line of this magnitude should result in a material reduction in operating expenses, for it will do away with the annual cleaning of the ditches, prevent the loss of water through seepage and evaporation and increase the capacity of the Farmers Irrigation Company system to about 1,800 inches. The present demand for water varies from 700 to 800 inches. The improvements which Farmers Irrigation Company intends to make are not only to supply actual users of water, but are in addition in the nature of insurance for consumers who do not ordinarily use water but who may desire it in years of excessive drought. C. C. Teague also believes that there are opportunities to greatly develop the demand for water. Obviously, the present consumers can not be expected, and in fact are not expected according to the record, to pay a rate sufficient to yield a reasonable return on an investment which is not being made for their particular benefit, but rather for the benefit of individuals who are not now receiving water through this irrigation system. If the stockholders of the Farmers Irrigation

Company desire a return on the investment which they propose to make to protect themselves or others against losses in dry seasons, they must of necessity look to some other sources than rates paid by the present consumers for a return on the excess investment.

ORDER.

River Street Ditch Company having applied to the Railroad Commission for authority to sell its properties to the Farmers Irrigation Company, and the Farmers Irrigation Company having joined in the application, and having asked authority to issue stock for the purpose of acquiring said properties and to finance improvements to its system, as recited in the foregoing opinion, a public hearing having been held and the Railroad Commission being of the opinion that this application should be granted and that the money, property or labor to be procured or paid for by the issue of stock is reasonably required for the purpose or purposes specified in this order, and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that River Street Ditch Company be and it is hereby granted authority to sell its properties described in Exhibit "I," attached hereto, to Farmers Irrigation Company in exchange for \$15,500.00 of stock.

It is hereby further ordered that Farmers Irrigation Company be and it is hereby granted authority to issue \$66,700.00 par value of stock.

The authority herein granted is granted upon the following conditions, and not otherwise:

(1) The stock herein authorized to be issued shall be sold by Farmers Irrigation Company at not less than the par value thereof.

(2) The proceeds from the sale of the stock shall be used by Farmers Irrigation Company for the following purposes, unless otherwise authorized by the Railroad Commission:

- (a) \$15,500.00 to acquire all the properties of River Street Ditch Company described in Exhibit "I," attached hereto.
- (b) \$51,200.00 to finance the cost of improvements described in Exhibits "B" and "C," attached to the petition herein.

(3) The payment of any indebtedness of River Street Ditch Company not paid at the time of the transfer of its properties to Farmers Irrigation Company, shall be assumed by Farmers Irrigation Company.

(4) The consideration at which the public utility properties are herein authorized to be transferred shall not be considered as a measure of value of said properties before this Commission, or any other public body, for rate-fixing or any purpose other than the transfer herein authorized.

(5) Within thirty days after the execution by the petitioners herein of an instrument of conveyance transferring the properties herein referred to, a certified copy of said instrument of conveyance shall be filed with the Railroad Commission by the Farmers Irrigation Company.

(6) Farmers Irrigation Company shall keep a true and accurate record of the issue of the stock herein authorized, and shall on or before the twenty-fifth day of the month following the issue of any such stock, make a verified report to the Railroad Commission setting forth the fact and the date of issue, the par value of the stock so issued, the amount received therefor and the disposition of the proceeds therefrom, all in accordance with the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(7) The authority herein granted to transfer property and to issue stock, shall apply only to such property as may be transferred and to such stock as may be issued on or before August 1, 1919.

Dated at San Francisco, California, this twenty-fifth day of February, 1919.

EXHIBIT "I."

The properties which River Street Ditch Company intends to sell and transfer to the Farmers Irrigation Company is described in Exhibit "A," attached to the petition herein, as follows:

"That certain water right and water ditch generally known as and called "Gries Ditch" or "River Street Ditch," in the County of Ventura, State of California, and extending from a point on the Northerly bank of the Santa Clara River in Section twelve (12), Township three (3) North, Range twenty-one (21) West, San Bernardino Base and Meridian, in a Westerly and South-westerly direction across Sections twelve (12) and eleven (11) of Township three (3) North, Range twenty-one (21) West, San Bernardino Base and Meridian, and over and across Lots seventy-eight (78) seventy-seven (77) twenty-eight (28), twenty-nine (29) thirty (30), thirty-one (31), thirty-two (32), thirty-three (33), thirty-four (34), and thirty-five (35), of the Rancho Santa Paula y Saticoy, to a point in the "Haines Barranca" on lands of Edith B. McDivitt et al., in Lot thirty-four (34) of the Rancho Santa Paula y Saticoy, Ventura County, California, together with all and singular the rights, incidents, easements, franchises, licenses and appurtenances claimed or used in connection with or belonging to or in any wise appertaining to said "Gries Ditch" or "River Street Ditch":

Said property being particularly described in that certain indenture of date April 20, 1917, wherein Interurban Land Company is party of the first part and River Street Ditch Company is party of the second part, which said deed was recorded in Book 156 of Deeds, at page 8, records of Ventura County, California, to which said deed and said records thereof reference is hereby made for a particular description of said property, the same as though the description contained in said record were hereby again herein set out at length:

Together with all water and water rights and claims to water and water rights of River Street Ditch Company under, in connection with, used or usable with or in any way appurtenant, appendant or incident to said "Gries Ditch" or "River Street Ditch" and water system, and any and all right and rights of River Street Ditch Company to divert water out of and from said Santa Clara River, its branches, sloughs and tributaries, and/or Santa Paula Creek, its branches, sloughs and tributaries, and any and all right and rights of River Street Ditch Company, to use, own, sell, rent, distribute, and/or otherwise dispose of, handle and enjoy such water and water rights:

Together with all and singular the head works, dams, ditches, lateral ditches, flumes and/or conduits, of whatsoever kind, character or description, and any and all easements, franchises, property, rights of way and privileges, belonging to River

Street Ditch Company which are in any wise incident, appendant or appurtenant to said ditch and water system;

Together also and including with the same, all and every right, title, interest and property acquired by River Street Ditch Company in connection with said "Gries Ditch" or "River Street Ditch" by grant, conveyance, use, appropriation, concession, or in any other manner whatsoever, in addition to the rights acquired and owned by it under and by said deed dated April 20, 1917, executed and delivered to it as aforesaid by Interurban Land Company;

Together also with all tools, equipment, appliances and personal property of whatsoever kind, and interests in personal property owned by River Street Ditch Company and used or usable in connection with said Ditch and water system;

Together with all other property, real or personal, whether hereinbefore described or not, and wherever the same may be situated, belonging to this corporation, or in which it has any right, title or interest whatsoever;

Together with all and singular the tenements, hereditaments and appurtenances thereunto belonging, or in any wise appertaining, and the reversion and reversions, remainder and remainders, rents, issues and profits thereof.

DECISION No. 6152.

IN THE MATTER OF THE APPLICATION OF SAN JOSE WATER WORKS, A CORPORATION, TO BUY, AND K. B. ROBINSON, TO SELL, THE WATER SYSTEM OF K. B. ROBINSON, SOMETIMES KNOWN AS THE COTTAGE GROVE WATER COMPANY, AND IN THE MATTER OF FIXING RATES.

Application No. 4367.

Decided February 25, 1919.

BY THE COMMISSION:

ORDER.

This is an application of San Jose Water Works, a corporation, to buy, and K. B. Robinson to sell, the water system of the latter known as Cottage Grove Water Company, which is located at San Jose and serves a subdivision known as Cottage Grove. The San Jose Water Works serves the city of San Jose and portions of Santa Clara County contiguous to the Cottage Grove subdivision.

This commission has established rates to be charged by San Jose Water Works and has conducted hearings in numerous proceedings involving this concern, and has likewise established rates to be charged by Cottage Grove Water Company, in which proceeding the value of the property was discussed.

The agreed price to be paid for the property to be transferred under this application is less than the record of investment or estimated cost in proceedings before this commission.

Comparison of the rate schedules set forth in the application disclose that the rates of San Jose Water Works are approximately the

same as the rates that have been charged by Cottage Grove Water Company, and that permission to charge the former rates after the transfer will not result in an injustice to consumers.

The form of agreement set forth in the application describes the property to be transferred as follows:

Real estate.

One lot of land, same being Lot No. 210, Cottage Grove Subdivision, having a frontage of 50 feet on the east side of Pomona avenue, and a frontage of 140 feet on the south side of Cottage Grove avenue, and the buildings thereon.

Pumping equipment.

One tank and tank frame.

Two motors—electric.

Two pumps.

All pulleys, belts and miscellaneous equipment.

All tools.

Pipe lines.

Approximately 7,480 feet of 2-inch standard screw pipe.

Approximately 1,570 feet of 3-inch standard screw pipe.

Approximately 400 feet of 5-inch standard screw pipe.

Meters.

29.

Service connections.

136.

And it is further agreed, that if any other property belonging to said seller which is a part of said water system, or which is used in connection with said water system, is not above specifically referred to or described, the same shall nevertheless be deemed to be a part of the property which is to be conveyed to said company by said seller with a clear title thereto, and without any additional price to be paid therefor.

The commission being of the opinion that this is not a case in which a public hearing is necessary.

It is hereby ordered that the application herein be and the same is hereby granted; provided, that the authority contained in this order shall apply only to such conveyance as is made on or before March 15, and provided further, that within ten days after such conveyance is made a copy of the deed of conveyance shall be filed with the Railroad Commission.

It is hereby further ordered that subsequent to the consummation of the transfer, the rate schedule of San Jose Water Works shall apply to consumers now served by Cottage Grove Water Company.

Dated at San Francisco, California, this twenty-fifth day of February, 1919.

DECISION No. 6157.

IN THE MATTER OF THE APPLICATION OF ALGER FAST, AS RECEIVER OF THE SACRAMENTO VALLEY WEST SIDE CANAL COMPANY, FOR AN INCREASE IN THE RATES TO BE CHARGED FOR WATER SUPPLIED BY HIM AS SUCH RECEIVER FOR THE PURPOSES OF IRRIGATION.

Application No. 4345.

Decided February 25, 1919.

*Morrison, Dunne & Brobeck and Edward Hohfeld, for Alger Fast, Receiver.
Stanley Moore, for Belle Williams Moore and J. S. Gibbs & Company.
C. L. Donohoe, for certain landowners and water users.
George R. Freeman, for the Spalding Company.*

DEVLIN, BRUNDIGE and MARTIN, *Commissioners.*

OPINION.

This is an application of Alger Fast, acting as receiver of the Sacramento Valley West Side Canal Company, a public utility corporation developing and delivering water used for irrigation, for a certain stated increase in rates.

The present rates charged by the company are as follows:

Flat rates per acre per annum.

Rice	\$7 00
All other crops	2 00

Rates by measurement.

\$2.00 for the first one and one-half ($1\frac{1}{2}$) acre feet per acre per annum.

Use in excess of one and one-half ($1\frac{1}{2}$) acre feet per acre at the rate of \$1.50 per acre foot.

Special rate.

For germinating water grass seed or moistening land for plowing, \$0.75 for first 4 acre-inches per acre, and proportionate charge for water used in excess of that amount.

The rates applied for are:

Flat rates per acre per annum.

Rice	\$8 00
All other crops	2 00

Rates by measurement.

\$2.20 for the first one and one-half ($1\frac{1}{2}$) acre-feet per acre per annum.

Use in excess of one and one-half ($1\frac{1}{2}$) acre-feet per acre at the rate of \$1.65 per acre foot.

Special rate.

For germinating water grass seed or moistening land for plowing, \$1.00 for first 4 acre-inches per acre, and proportionate charge for water used in excess of that amount.

The application also sets forth the following proposed schedule of payments to be made by growers of both rice and general crops:

Flat rates, time of payment	Rice land per acre	General crops per acre
With application for water service.....	\$2 00	\$0 50
March 15	2 00	50
April 15	1 00	25
June 15	1 00	25
August 1	1 00	25
September 1	1 00	25

It is stated in the application that the consent of a large proportion of the water users had been gained previous to the filing of this application, and a letter of Charles L. Donohoe, representing certain of the rice growers, is filed with the application as Exhibit "C." This letter contains the statement that the indicated agreement with the company's proposed rate schedule is to be considered operative for the season of 1919 only.

At the hearing held in this application on February 11, 1919, at San Francisco, full opportunity was given for expression of opinion by consumers on the rate proposed and no objection was voiced. The growers of rice on at least 20,000 acres were represented by counsel at the hearing.

The testimony shows that about 27,000 acres of rice land was irrigated during the season of 1918.

Under all the circumstances herein, and in view of the agreement of such a majority of consumers that the requested increase should be granted for the period above referred to, and that no objection by any consumer was made, even though all consumers had the usual notice, it is deemed unnecessary to follow the customary methods in determining the reasonableness of the proposed rate.

We submit the following form of order:

ORDER.

A public hearing having been held in the above-entitled proceeding and the same having been submitted and being now ready for decision.

It is hereby found as a fact that the rates that have been heretofore charged by applicant, in so far as they differ from the schedule of rates set forth in the following order, are noncompensatory and that the rates herein established are just and reasonable rates.

Basing its order upon the foregoing finding of fact and the findings of fact contained in the opinion preceding this order,

It is hereby ordered that Alger Fast, as receiver of the Sacramento Valley West Side Canal Company, be and he is hereby authorized to charge the following schedule of rates:

Flat rates per acre per annum.

Rice	\$8 00
All other crops	2 00

Rates by measurement.

\$2.20 for the first one and one-half ($1\frac{1}{2}$) acre-feet per acre per annum.

Use in excess of one and one-half ($1\frac{1}{2}$) acre-feet per acre at the rate of \$1.65 per acre-foot.

Special rate.

For germinating water grass seed or moistening land for plowing, \$1.00 for first 4 acre-inches per acre, and the proportionate charge for water used in excess of that amount.

It is hereby further ordered that payments shall be due in the amounts and on the dates set forth below:

Flat rates, time of payment	Rice land per acre	General crops per acre
With application for water service	\$2 00	\$0 50
March 15	2 00	50
April 15	1 00	25
June 15	1 00	25
August 1	1 00	25
September 1	1 00	25

It is hereby further ordered that the herein-established schedule of rates shall become effective immediately and that applications for service received at the office of the company more than fifteen days from the date hereof may be subject to denial, and in case it is found that there is not a sufficient supply to satisfy all applications, those received before such date will be given priority over those received later.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-fifth day of February, 1919.

DECISION No. 6160.

IN THE MATTER OF THE APPLICATION OF C. B. PEARSON FOR PERMISSION TO DISCONTINUE SERVICE OF WATER.

Application No. 3119.

Decided February 25, 1919.

C. B. Pearson, for Applicant.
F. M. McInture and L. E. Weeks, for Protestants.

BY THE COMMISSION.

OPINION.

This is an application of C. B. Pearson for authority of this commission to discontinue service of water to three consumers who are now being served by him.

The applicant is the owner of a certain piece of real property near Willows, California, upon which his predecessors in interest sunk a well from which water was pumped for irrigation purposes. As a neighborly accommodation, applicant's predecessors in interest furnished water to three neighboring small ranches. Applicant continued after the acquisition of his property to so furnish the said neighbors at a price mutually agreeable between all parties, which was sufficient to pay the expenses of running the motor and pump in connection with said water supply. Applicant, by so doing, has placed himself within the purview of the statute which provides that any person furnishing water to the public or any portion thereof for compensation becomes a public utility. However, if a valuation is placed upon the operative property used and useful in connection with this service and a return be provided therefor, together with a reasonable amount for depreciation and maintenance and operation, the result would be a prohibitive schedule of rates.

The testimony at the hearing shows that a subterranean supply of water is obtainable by all of applicant's consumers. A certain length of time will be necessary, however, for these consumers to provide themselves with wells therefrom.

Action in this matter has been delayed for the reason that the war emergency conditions made it impracticable for a change in existing conditions to be made.

ORDER.

C. B. Pearson having made application for permission to discontinue service of water, a public hearing having been held in the matter and the Railroad Commission being fully advised in the premises,

It is hereby ordered that C. B. Pearson be and he is hereby directed to continue service of water for irrigation during the year 1919 to the extent and to the parties to whom he was furnishing such service previous to the time of the filing of this application.

It is further ordered that applicant be and he is hereby given authority to discontinue such service on or after January 1, 1920.

Dated at San Francisco, California, this twenty-fifth day of February, 1919.

DECISION No. 6161.

CITY OF RICHMOND

vs.

HERBERT F. BROWN.

Case No. 986.

IN THE MATTER OF THE APPLICATION OF HERBERT F. BROWN FOR
PERMISSION TO CHANGE WATER RATES IN THE ANDRADE
TRACTS, RICHMOND.

Application No. 4086.

Decided February 25, 1919.

H. D. Chapman, city attorney, by *H. E. Jacobs*, deputy, for City of Richmond.

BY THE COMMISSION.

OPINION.

In Case No. 986, city of Richmond by its complaint alleges that the flat rate of \$1.50 per month per consumer, charged by defendant Brown, was arbitrarily fixed without public authority; and prays that the commission determine what is a just and reasonable rate. The answer is that the flat rate of \$1.50 is a reasonable rate for the consumers to pay, but an unreasonably low rate for defendant to charge, and prays the establishment of that rate. Subsequently, Mr. Brown filed Application No. 4086, requesting authority to establish a metered rate of 35 cents per thousand gallons with a minimum charge of \$1.25 per month, in lieu of the previous \$1.50 flat rate.

A public hearing was held by Examiner Westover at Richmond. By stipulation of the parties, both proceedings were consolidated for hearing and decision.

Water is pumped from a well into a 25,000-gallon tank on a 60-foot tower and distributed to a total of 72 consumers in the so-called Andrade Tracts in Richmond, Contra Costa County. Of these 36 are tenants in apartment houses owned and operated by Mr. Brown, and from whom a separate water rate is not collected, water bills being included in house rent.

Applicant's principal business is developing and selling real estate, the water service being provided primarily for the service of tracts in which he is interested. His accounts concerning the water system are not sufficiently segregated from real estate operations to permit a showing of actual cost of the system. The system has a capacity some four or five times the present demands with an average of 303 feet of main per consumer.

As applicant states that he does not ask a return upon the investment at this time as the system was built principally as an aid to real estate operations and is admittedly greatly overbuilt, it is unnecessary in this proceeding to present an estimate of its cost.

By stipulation, Mr. C. I. Rhodes, one of the commission's assistant hydraulic engineers, has presented since the hearing an estimate of the cost of maintenance and operation agreed upon with Mr. Mero, the manager of the system, showing a total of \$1,268.00 per year. Mr. Rhodes computes \$233.00 as the appropriate sinking fund annuity for the depreciation.

As applicant's consumers have been using water under flat rates, the normal water use under metered rates for his system is not known. However, if water use were in the same proportion as that on a system in the vicinity which has long been operated under metered rates, about 15 of applicant's consumers would use less than 300 cubic feet per month each and the remaining 57 would use approximately 590 cubic feet per month each.

The rates found in the order, applied to probable water use, should produce the annual cost of maintenance and operation, with a surplus applicable to other purposes. The new rates are substantially the equivalent of those requested, but expressed in cubic feet.

ORDER.

A public hearing having been held in the above-entitled case and upon the above-numbered application, Herbert F. Brown to establish measured rate, both matters having been submitted and now ready for decision,

The Railroad Commission hereby finds that the rates hereinafter in this order described are just and reasonable rates under all of the circumstances, and that the rate complained of is unreasonable.

Basing its order on the above finding and upon the findings of fact in the opinion preceding this order,

It is hereby ordered that Herbert F. Brown be and he is hereby authorized to file with the commission within thirty days from date hereof and thereafter charge and collect the following schedule of monthly metered rates for water served by him upon the so-called Andrade Tracts in Richmond, Contra Costa County.

For the first 300 cubic feet or less	\$1 00
Over 300 cubic feet, per 100 cubic feet	25
Minimum monthly charge	1 00

It is hereby further ordered that within thirty days said Brown file a draft of proposed rules and regulations governing service of water through his said system, subject to approval by this commission.

It is hereby further ordered that said Brown install meters upon all services within three months from date hereof.

Dated at San Francisco, California, this twenty-fifth day of February, 1919.

DECISION No. 6164.

IN THE MATTER OF THE APPLICATION OF HERMOSA BEACH WATER CORPORATION FOR AN ADJUSTMENT AND INCREASE OF RATES.

Application No. 4132.

Decided February 26, 1919.

Establishment of minimum yearly charge held as means of equalizing expense of delivering water where district served takes on nature of summer colony; distributes burden more equitably among consumers, whether they remain year round or only for season.

F. D. Cornell, for Hermosa Beach Water Corporation.

W. W. Phelps, for City of Hermosa.

LOVELAND, Commissioner.

OPINION.

This is an application of the Hermosa Beach Water Corporation, a public utility engaged in the business of distributing and selling water for domestic and irrigation purposes in the city of Hermosa Beach and the adjacent territory, asking for authority to increase its rates.

Applicant alleges, in effect, that it has not since its organization been in receipt of sufficient income from its rates to equal operating expenses,

interest on bonds and depreciation annuity, and that during the last two years operating charges have increased to such an extent that additional income is necessary for a continuation of service.

A public hearing in this proceeding was held in Los Angeles on December 10, 1918.

The present rates were in effect when the Hermosa Beach Water Corporation acquired the Hermosa Beach Water Company and were established by the latter company prior to the effective date of the Public Utilities Act.

These rates are as follows:

Minimum for 800 cubic feet or less.....	\$1 50
From 800 cubic feet to 3,467 cubic feet, per 100 cubic feet.....	.11½
Over 3,467 cubic feet, per 100 cubic feet.....	.09

Applicant has been before the commission in a number of proceedings, notably Application No. 1346, entitled "In the matter of the application of Hermosa Beach Water Company to sell, and of the Hermosa Beach Water Corporation to buy, a certain water system, and of Hermosa Beach Water Corporation to issue bonds of the par value of eighty thousand dollars and stock in the sum of sixty thousand dollars." (Opinions and Orders of the Railroad Commission of California, Dec. No. 1866, Vol. 5, p. 577.) In this proceeding an appraisal of the water utility property was presented by Mr. Burdett Moody, for the company. This totaled, as of January, 1914, an estimated cost new of \$122,252.00, and included the sum of \$6,000.00 for franchises and \$24,100.00 for real estate and water rights, but did not include the salvage of the Manhattan Beach plant, which was estimated by applicant at \$5,500.00. Additions since that date as shown by the company's records are \$19,113.00. The structural properties were carefully checked at the time by the commission's engineers and the appraisal by Moody was found to be a fair estimate of the cost new of the plant, using average normal prices, and will be considered in this proceeding.

The commission has authorized the applicant to issue \$77,000.00 of 6 per cent bonds, of which \$5,000.00 have been retired and \$1,000.00 remain in the treasury, leaving \$71,000.00 outstanding. It is evident that the tangible property in the plant is sufficient security for the issuance of these bonds.

The evidence shows that the system is overbuilt and still in a development state. The greater portion of the area served is sparsely settled, necessitating long sections of pipe between consumers. The system was originally constructed to promote real estate sales and not in response to the demands of the normal growth of the community.

Applicant asks interest at 6 per cent on the sum of \$71,000.00, which is the amount of bonds outstanding. In addition he asks inter-

est at the same rate on \$45,000.00, claimed as additional investment value. Not all of this should be charged against the established uses, and I will recommend the portion that seems fairly chargeable in this proceeding.

The maintenance and operation expenditures, as shown by the annual reports filed with the commission and the books of the company, were checked and items not properly chargeable to this account have been deducted and do not appear in the following tabulation:

	1915	1916	1917	*1917	*1918
Operating labor and expense.....	\$4,007	\$5,335	\$5,223	\$3,836	\$3,586
Repairs to operating capital.....	438	401	352	268	902
Distribution system labor and expense	163		263	196	177
Repairs to distribution and transportation capital	1,238	929	298	193	412
Collecting and promotion of business	595		626	478	519
General expense	2,922	4,489	4,371	3,083	3,572
Taxes	518	834	1,037	†227	†361
Totals	\$9,882	\$11,988	\$12,176	\$8,081	\$9,529
Operating revenue	\$21,130	\$18,246	\$18,053	\$13,861	\$14,149

*Nine months only.

†This is not a proportionate amount of the annual taxes.

The effects of increased salaries, wages and costs of materials are shown in the nine months period of 1917 and 1918. Due to the unsettled labor and material conditions brought about by the war, which is further complicated by the transition from war to peace conditions, it is difficult to estimate future charges on the basis of past expenditures. Considering the existing conditions, the sum of \$14,000.00 is thought to be a fair and just estimate of the future operating expenditure and will be provided for in the estimated annual charges.

I find that fair returns annually should provide for the following charges:

Interest on \$15,000.00 clear investment at 8 per cent.....	\$1,200 00
Interest on \$71,000.00 bonds at 6 per cent.....	4,260 00
Annuity—4 per cent sinking fund basis.....	3,347 00
Maintenance and operation.....	14,000 00
	\$22,807 00

Applicant serves a district that may be classed as a summer colony, in that the major number of the consumers own residences which are occupied for only a short period during the summer. Under the present form of rates these consumers pay for service only during the few months they occupy the premises, which gives the company no return to cover cost of maintenance and investment during the unoccupied period and unjustly places the burden of this expense upon the

long-term consumer. A minimum yearly charge established in the order herein will, in my opinion, more equitably distribute the expense of delivering water among the consumers.

The schedule of rates set out in the order herein are estimated to return to applicant at least the above estimated annual charges.

I recommend the following form of order:

ORDER.

Hermosa Beach Water Corporation having applied to the Railroad Commission for authority to increase its rates for water served in Hermosa Beach and vicinity, and a public hearing having been held and the commission being fully advised in the premises,

It is hereby found as a fact that the rates and charges of Hermosa Beach Water Corporation in so far as they differ from the rates herein established are unjust, unreasonable and unremunerative, and that the rates and charges herein established are just and reasonable rates, and basing its order on the foregoing finding of fact and on the further findings of fact contained in the opinion which precedes this order,

It is hereby ordered that Hermosa Beach Water Corporation be and it is hereby authorized to file with the Railroad Commission of the State of California the following schedule of rates, the same to become effective on and after February 1, 1919:

Initial annual charge—\$12.00 per year per service providing 600 cubic feet per month for four months.

Monthly minimum for additional months—75 cents for 600 cubic feet per month.

Between 600 cubic feet and 2,500 cubic feet monthly, per 100 cubic feet, 16 cents.

Over 2,500 cubic feet monthly, per 100 cubic feet, 10 cents.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of February, 1919.

DECISION No. 6165.

IN THE MATTER OF THE APPLICATION OF MIDLAND COUNTIES
PUBLIC SERVICE CORPORATION FOR AN ORDER AUTHORIZING
THE ISSUE OF BONDS.

Application No. 4316.

Decided February 26, 1919.

Short & Sutherland, by W. A. Sutherland, for Applicant.

LOVELAND, *Commissioner.*

OPINION.

Midland Counties Public Service Corporation, in its amended petition herein filed February 7, 1919, asks authority to issue \$474,000.00 of its first and refunding mortgage 6 per cent gold bonds due October 1, 1953. Bonds in the amount of \$449,000.00 will be issued against expenditures incurred or to be incurred on capital account, and the remaining \$25,000.00 to refund \$25,000.00 of outstanding Coalinga Water and Electric Company bonds.

As of October 31, 1918, applicant reports assets and liabilities as follows:

<i>Asset Accounts.</i>	
A. Capital assets:	
Rights and franchises-----	\$1,144,048 97
Organization expense -----	2,564 39
Plant -----	1,487,518 68
Sinking fund -----	70,637 17
Total-----	\$2,704,769 21
B. Treasury securities -----	13,000 00
C. Deposited with State Treasurer for liability insurance-----	5,000 00
D. Current assets:	
Accounts receivable -----	\$65,179 00
Taxes and license-----	3,207 69
Notes receivable -----	109,484 63
Cash -----	10,799 83
Materials and supplies-----	61,895 15
Total-----	250,566 30
E. Deferred charges:	
Prepayments -----	\$20 03
Bond discount and expense-----	46,612 49
Total-----	46,632 52
F. Suspense accounts -----	33,053 35
Total asset accounts-----	\$3,053,021 38

Liability Accounts.

A. Stock outstanding -----		\$1,000,500 00
B. Assessments No. 1 and No. 2 -----		200,100 00
C. Bonds outstanding -----		\$861,000 00
D. Current liabilities:		
Notes payable -----	\$535,611 44	
Accounts payable -----	50,934 40	
Accounts with system corporations -----	206,194 39	
Pay roll -----	4,373 53	
Unaudited invoices -----	1,054 26	
Prepayment -----	535 10	
Deposits -----	3,728 10	
Taxes, licenses, etc., accrued -----	1,766 59	
Bond interest accrued -----	9,765 00	
Interest on floating debt accrued -----	42,988 75	
Sinking fund accrued -----	9,689 45	
Total current liabilities -----		\$866,641 01
E. Surplus and reserves:		
Reserve -----	\$192,001 92	
Loss close of year -----	65,028 62	
Loss current year to date -----	2,192 93	
Total surplus and reserve -----		124,780 37
Total liability accounts -----		\$3,053,021 38

The \$861,000.00 of bonds outstanding on October 31, 1918, include \$75,000.00 reacquired by applicant for sinking fund purposes. Bonds issued and in the hands of the public are reported at \$786,000.00.

In Exhibit No. 1, G. R. Kenny, applicant's statistician and valuation engineer, reports the value of applicant's property at \$1,716,879.96. The appraisal has not been checked by the engineering department of the commission, nor do I believe that such a check is necessary for the purpose of this proceeding. The issue of the bonds applied for is not based upon the appraisal, but upon applicant's actual expenditures on capital account. The expenditures incurred, or to be incurred, by applicant on capital account have been checked by the engineering department of the commission and found to be reasonable. In its amended Exhibit "C," applicant reports that from February 28, 1917, to October 31, 1918, it expended on capital account the sum of \$236,548.65. In Exhibit No. "2," applicant estimates that for the six months ending April 30, 1919, it will have to expend on capital account the sum of \$76,300.00—making a total expenditure from February 28, 1917, to April 30, 1919, of \$312,848.65. Against the expenditure of \$312,848.65, applicant asks authority to issue \$311,000.00 of bonds.

In former decisions, No. 4369, dated June 2, 1917, and No. 4846, dated November 15, 1917—the Railroad Commission authorized applicant to issue \$138,000.00 of bonds because of expenditures on capital account prior to February 28, 1917. None of these bonds have been issued within the time limit fixed by the commission's orders. Appli-

cant again asks permission to issue the \$138,000.00 of bonds. The \$138,000.00 is included in the \$449,000.00 referred to above.

At the time applicant acquired the properties of the Coalinga Water and Electric Company, it assumed the payment of that company's bonded indebtedness. Of the indebtedness so assumed, \$25,000.00 is still outstanding. Applicant asks permission to issue \$25,000.00 of its first and refunding bonds for the purpose of refunding the \$25,000.00 of outstanding bonds of Coalinga Water and Electric Company.

The testimony of Mr. A. E. Peat, treasurer and comptroller of Midland Counties Public Service Corporation, and exhibits filed by applicant, show that applicant's earnings for the last twelve months have been sufficiently large to permit the trustee to certify and deliver the bonds which it desires to issue.

The \$474,000.00 of bonds which applicant asks authority to issue, fall into three classes, namely—\$374,000.00 to finance expenditures incurred prior to October 31, 1918, \$75,000.00 to finance expenditures incurred or to be incurred from October 31, 1918, to April 30, 1919, and \$25,000.00 to refund outstanding bonds of Coalinga Water and Electric Company.

Because of its expenditures on capital account, applicant has incurred a large note indebtedness. It intends to use the proceeds from the sale of its bonds, other than the \$25,000.00 to pay notes which were issued to enable it to pay for extensions and betterments to its system. Inasmuch as the expenditures reported in Exhibit No. "2" are used as a basis for the issue of \$75,000.00 of bonds, it would seem that the proceeds from the \$75,000.00 of bonds should be used to finance the expenditures incurred during the six months ending April 30, 1919. The order herein will so provide, and further, require applicant to file reports from time to time showing the specific notes paid or the specific purposes for which the proceeds from the sale of the bonds herein authorized have been expended.

I herewith submit the following form of order:

ORDER.

Midland Counties Public Service Corporation having applied to the Railroad Commission for authority to issue \$474,000.00 of its first and refunding mortgage 6 per cent gold bonds due October 1, 1953, a public hearing having been held and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Midland Counties Public Service Corporation be and it is hereby granted authority to issue \$474,000.00 of its

first and refunding mortgage 6 per cent gold bonds due October 1, 1953, upon the following conditions, and not otherwise:

(1) Bonds in the amount of \$449,000.00 herein authorized to be issued shall be sold for cash at not less than 90 per cent of their face value plus accrued interest.

(2) Bonds in the amount of \$25,000.00 herein authorized to be issued shall be used by applicant to refund \$25,000.00 of outstanding Coalinga Water and Electric Company bonds.

(3) The proceeds from the sale of \$374,000.00 of bonds shall be used by applicant to finance expenditures incurred on capital account prior to October 31, 1918, and through such financing used to pay in part the notes listed in the statement filed February 21, 1919.

(4) The proceeds from the sale of \$75,000.00 of bonds shall be used to pay for the construction of the extensions and improvements described in Exhibit No. "2." Applicant may pay out of the proceeds of the \$75,000.00 of bonds, any indebtedness incurred for the purpose of making said extensions and improvements.

(5) Midland Counties Public Service Corporation shall keep separate, true and accurate account showing the receipt and application in detail of the proceeds of the issue and sale of the bonds herein authorized to be issued, and on or before the twenty-fifth day of each month, until all of the bonds have been sold and all the proceeds expended, the company shall make verified reports to the Railroad Commission stating the sale or sales of said bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, the use and application of the moneys in detail including a list of all notes or debt paid, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(6) The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

(7) The authority herein granted shall apply only to such bonds as may be issued on or before December 1, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-sixth day of February, 1919.

DECISION No. 6166.

IN THE MATTER OF THE APPLICATION OF MANTECA WATER WORKS,
A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF
STOCK.

Application No. 4374.

Decided February 26, 1919.

Von Detten & Henry, by Otto Von Detten, for Applicant.

MARTIN, *Commissioner.*

OPINION.

Manteca Water Works asks authority to issue \$10,000.00 par value of its common capital stock to finance the construction of extensions to its water system.

In Decision No. 5241, dated March 27, 1918, the Railroad Commission authorized A. Baccilieri to transfer his public utility water plant at Manteca to Manteca Water Works in exchange for \$34,900.00 of stock. The engineering department of the commission at the time estimated the reproduction cost new of the water property at \$36,186.00 and the reproduction cost new less depreciation at \$34,856.00.

Applicant reports that during 1918, it became necessary for it to extend its water system for the purpose of properly serving its patrons. Additional extensions will have to be installed during 1919. The extensions to be constructed during 1919 are listed in Exhibits "A" and "B" and consist of

1,225 feet 6-inch pipe at an estimated cost of-----	\$1,650 00
5,000 feet of 2-inch pipe at an estimated cost of-----	2,000 00
Wells and accessories at a cost of-----	1,350 00
Contingencies—10 per cent-----	500 00
Total -----	<u>\$5,500 00</u>

To finance the improvements installed during 1918, applicant issued to Mark-Lally Company a note on which there is due a balance of \$2,931.74 and a note to Austin Bros. on which there is now due the sum of \$549.03, making a total of \$3,480.77. In addition, applicant reports that it owes E. E. Jeffries for civil engineering work \$275.00 and desires to acquire from E. E. Jeffries for the sum of \$25.00 certain maps and blue prints of the city of Manteca, which will be necessary for applicant to have in making extensions to its system.

The amount due on the improvements installed during 1918, together with the cost of engineering services, maps and extensions to be made

during 1919 aggregates \$9,280.77. It is for the purpose of securing funds to pay this expenditure that applicant intends to issue \$10,000.00 of stock. The record shows that applicant's stock will be issued at par.

I herewith submit the following form of order:

ORDER.

Manteca Water Works having applied to the Railroad Commission for authority to issue \$10,000.00 of stock, a public hearing having been held and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income.

It is hereby ordered that Manteca Water Works be and it is hereby granted authority to issue and sell at not less than par \$10,000.00 of common capital stock upon the following conditions:

(1) The proceeds obtained from the sale of the stock shall be used for the following purposes:

(A) To pay note due Mark-Lally Company	\$2,931 74
(B) To pay note due Austin Brothers	549 03
(C) To pay E. E. Jeffries for services rendered and maps	300 00
(D) To pay for improvements described in Exhibits "A" and "B"....	5,500 00

(2) Manteca Water Works shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the issue and sale of the stock herein authorized to be issued, and on or before the twenty-fifth day of each month, until all of the stock has been sold and all of the proceeds expended, the company shall make verified reports to the Railroad Commission stating the sale or sales of said stock during the preceding month, the terms and conditions of the sale, the moneys realized therefrom and the use and application of the moneys in detail, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(3) The authority herein granted shall apply only to such stock as may be issued on or before December 31, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-sixth day of February, 1919.

DECISION No. 6167.

IN THE MATTER OF THE APPLICATION OF THE MARTINEZ-BENICIA
FERRY AND TRANSPORTATION COMPANY TO ISSUE STOCK.

Application No. 4056.

Decided February 26, 1919.

Mastick & Partridge, by John S. Partridge, for Applicant.

EDGERTON, *Commissioner.*

OPINION.

Martinez-Benicia Ferry and Transportation Company asks authority to issue \$21,240.00 par value of its common stock to reimburse its treasury because of earnings invested in property. After such reimbursement, the company intends to distribute the stock pro rata amongst its stockholders as a stock dividend.

Martinez-Benicia Ferry and Transportation Company was incorporated on January 25, 1912, with an authorized stock issue of \$50,000.00 divided in 5,000 shares of the par value of \$10.00 each. Of this stock, \$28,760.00 was issued at par and is now outstanding. Applicant operates a ferry between the town of Martinez, Contra Costa County, and the town of Benicia, Solano County.

On December 31, 1917, applicant reported its assets and liabilities to the Railroad Commission as follows:

<i>Asset Accounts.</i>	
Steamers, slips, aprons and tanks	\$106,216 27
Cash	4,272 80
Prepaid rent	6,800 00
Total asset accounts.....	\$117,289 07
<i>Liability Accounts.</i>	
Stock outstanding	\$28,760 00
Miscellaneous accounts payable.....	332 35
Reserve for accident insurance	3,500 00
Surplus	84,696 72
Total liability accounts.....	\$117,289 07

The original cost of the steamer "City of Seattle" is reported at \$19,553.30; that of the "City of Martinez" at \$71,033.28, while the cost of the slips, aprons and tanks is reported at \$24,733.51. In its petition, applicant reports the value of the "City of Seattle" on May 31, 1918, at \$9,553.30; that of the "City of Martinez" at \$63,929.95, and the value of the slips, aprons and tanks at \$7,877.70, making a total of \$81,360.95 as compared with an original cost of \$115,320.29. Applicant reports that the difference between the original cost and the value as of May 31, 1918, represents amounts charged off to depreciation.

For the two years ending December 31, 1917, applicant has reported revenues and expenses as follows:

Item	1917	1918
Operating revenues	\$95,320 08	\$51,610 32
Operating expenses	49,677 04	31,701 02
Net operating revenue	\$45,643 04	\$22,909 30
Other income	407 70	80 80
Gross corporate income	\$46,050 74	\$22,990 10
Deductions		
Net corporate income for year	\$46,050 74	\$22,990 10
Add: Surplus beginning of year	36,178 51	13,188 41
Other miscellaneous additions to surplus	5,343 47	
Total accumulated surplus and additions	\$87,572 72	\$36,178 51
Deduct: Dividends paid	2,876 00	
Accumulated surplus end of year	\$84,696 72	\$36,178 51

The testimony and statements filed by applicant, show that it has invested in property, from earnings, a sum in excess of \$21,240.00.

I herewith submit the following form of order:

ORDER.

Martinez-Benicia Ferry and Transportation Company having applied to the Railroad Commission for authority to issue stock, a public hearing having been held and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose specified in the order and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Martinez-Benicia Ferry and Transportation Company be and it is hereby granted authority to issue at not less than par on or before July 31, 1919, \$21,240.00 par value of its common capital stock for the purpose of reimbursing its treasury because of earnings invested in fixed capital; provided, that after the reimbursement of the treasury said stock be distributed amongst the present stockholders of the Martinez-Benicia Ferry and Transportation Company pro rata in accordance with the holdings of stock by said stockholders; and provided, further, that within thirty (30) days after the issue of the stock herein authorized, applicant file with the Railroad Commission a statement showing the names of the stockholders to whom said stock was issued, the number of shares issued to each and the total number of shares held by said stockholders after the distribution of the stock herein authorized to be issued.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-sixth day of February, 1919.

DECISION No. 6177.

IN THE MATTER OF THE ISSUANCE OF CAPITAL STOCK BY
FARMERS WAREHOUSE COMPANY OF SACRAMENTO VALLEY, A
CORPORATION.

Application No. 4368.

Decided March 11, 1919.

Applicant authorized to issue \$5,000.00 par value of common capital stock.
\$4,700.00 in exchange for a perpetual right to floor space to be used for ware-
house purposes, the balance for director's qualifying shares.

Derlin & Derlin, for Applicant.

MARTIN, *Commissioner*.

OPINION.

Farmers Warehouse Company of Sacramento Valley asks authority to issue \$5,000.00 par value of its common capital stock.

Farmers Warehouse Company of Sacramento Valley was organized on or about November 15, 1918, with an authorized stock issue of \$5,000.00, divided into 50 shares of the par value of \$100.00 each. Applicant was organized to do a general warehouse business. None of its stock, except three shares necessary to qualify directors, has been issued. Applicant asks the Railroad Commission to approve the issue of the three shares. In addition applicant asks permission to issue \$4,700.00 of stock in exchange for a perpetual right to the use of the floor space of the warehouse owned by the California State Rice Milling Company. The warehouse is situate on the right bank of the Sacramento River, opposite the city of Sacramento, facing on the Sacramento River and approximately one-half mile south of the Yolo County end of the M Street bridge. The warehouse space is reported by applicant to be 350 feet long and 128 feet wide, capable of storing 300,000 bags of rice. It is alleged that if the warehouse were erected as a separate proposition, independent of the milling company, it would cost more than \$50,000.00.

The \$4,700.00 of stock will be issued to California State Rice Milling Company and held by it as a permanent investment. The milling company has no intention to sell or trade in the stock. The granting of this application will permit the milling company to segregate its public utility from its nonpublic utility business. The former business will be turned over to the Farmers Warehouse Company of Sacramento Valley.

I herewith submit the following form of order:

ORDER.

Farmers Warehouse Company of Sacramento Valley having filed an application with the Railroad Commission for authority to issue \$5,000.00 par value of its common capital stock, a public hearing having been held, and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Farmers Warehouse Company of Sacramento Valley be and it is hereby granted authority to issue at not less than par, \$5,000.00 par value of its common capital stock, upon the following conditions and not otherwise:

1. Stock in the amount of \$4,700.00 shall be issued to the California State Rice Milling Company in exchange for a perpetual right to the use of the floor space of the warehouse owned by the California State Rice Milling Company referred to in the petition herein.

2. Stock in the amount of \$300.00 may be issued in lieu of the \$300.00 of stock heretofore issued for the purpose of qualifying directors.

3. Within sixty days after the date hereof, Farmers Warehouse Company of Sacramento Valley shall file with the Railroad Commission a report as required by the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted to issue stock shall apply only to such stock as shall have been issued on or before April 15, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this eleventh day of March, 1919.

DECISION No. 6178.

IN THE MATTER OF THE APPLICATION OF SAN PEDRO TRANSPORTATION COMPANY FOR PERMISSION TO RENEW A NOTE FOR \$5,000.00.

Application No. 4355.

Decided March 11, 1919.

Samuel C. Hall, for Applicant.

EDGERTON, *Commissioner*.

OPINION.

San Pedro Transportation Company asks authority to issue an unsecured note for \$5,000.00 for the purpose of refunding an outstanding note of like amount.

In Decision No. 3596, dated August 25, 1916 (Vol. 10, Opinions and Orders of the Railroad Commission of California, page 698), the Railroad Commission authorized San Pedro Transportation Company to issue a \$5,000.00 7 per cent two-year note. Because of increasing demands for transportation at the harbor of Los Angeles, the company reports that it has been obliged to use all its earnings to pay for the construction of new boats and the enlargement of its equipment, with the result that it has been unable to pay the \$5,000.00 note. The holder of the note is willing to accept a new note in renewal of the \$5,000.00 note now outstanding.

I herewith submit the following form of order:

ORDER.

San Pedro Transportation Company having applied to the Railroad Commission for authority to issue a \$5,000.00 unsecured promissory note, a public hearing having been held, and it appearing that the purposes for which applicant desires authority to use the proceeds obtained through the issue of the note are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that San Pedro Transportation Company be and it is hereby given authority to issue its 7 per cent two-year promissory note in the principal sum of not exceeding \$5,000.00 upon the following conditions:

1. The note herein authorized to be issued shall be issued for the purpose of paying or refunding the \$5,000.00 note issued by applicant pursuant to Decision No. 3596, dated August 25, 1916.

2. San Pedro Transportation Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds obtained from the sale of the note herein authorized to be issued in accordance with this commission's General Order No. 24, which order in so far as applicable, is made a part of this order.

3. The authority herein granted shall apply only to such note as shall have been issued on or before July 1, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this eleventh day of March, 1919.

DECISION No. 6181.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS.

Application No. 4392.

Decided March 12, 1919.

Applicant granted permission to issue \$843,000.00 face value first mortgage bonds of which amount \$800,000.00 face value are to be sold at not less than 90¢, proceeds to be used to acquire the property of Economic Gas Company and \$43,000.00 face value to be deposited with trustees to cover liens existing against properties to be acquired, such deposited bonds not to be sold without further order of this commission.

O'Melveny, Millikin & Tuller by *Sayre Macneil*, for Applicant.

EDGERTON and BRUNDIGE, *Commissioners*.

OPINION.

In this application, as amended, Southern California Gas Company asks authority to issue \$843,000.00 face value of its first mortgage forty-year 6 per cent gold bonds, due November 1, 1950.

Applicant reports \$6,000,000.00 of common, \$875,000.00 of 6 per cent cumulative preferred stock and \$3,496,000.00 of bonds outstanding on December 31, 1918. The bonded debt consists of \$3,466,000.00 of 6 per cent Southern California Gas Company bonds and \$30,000.00 of 5 per cent Riverside Light and Fuel Company bonds, the payment of which has been assumed by applicant.

Applicant's balance sheet as of December 31, 1918, filed with the Railroad Commission, shows the following:

<i>Asset Accounts.</i>	
Fixed capital.....	\$10,428,275 71
Cash	27,421 59
Special deposits	71,000 00
Notes receivable.....	16,250 09
Accounts due from consumers and agents.....	170,717 28
Miscellaneous accounts receivable.....	73,677 87
Liberty bonds	53,500 00
Materials and supplies.....	225,998 13
Prepaid expense	3,448 86
Unamortized discount on stock.....	150,000 00
Unamortized discount on bonds.....	401,068 64
Other suspense	11,518 53
Construction work in progress.....	2,729 23
Oil wells	176,422 69
Midway Gas Company bonds in escrow—Equitable Trust Company	136,800 00
Gas plants to be amortized.....	59,963 09
Total asset accounts.....	\$12,008,791 62

<i>Liability Accounts.</i>	
Capital stock	\$6,875,000 00
Funded debt	3,496,000 00
Notes payable	170,980 79
Accounts payable	316,539 06
Interest accrued	36,180 49
Taxes accrued	10,500 23
Dividends declared	13,125 00
Reserve for accrued depreciation.....	761,452 60
Other reserves from income or surplus.....	4,233 00
Reserve for accrued depreciation—automobiles.....	16,510 58
Corporate surplus unappropriated.....	308,269 87
Total liability accounts.....	\$12,008,791 62

Applicant in its income account and corporate surplus account for the years ending December 31, 1916, 1917 and 1918, shows revenues and expenses as follows:

Item	1916	1917	1918
Operating revenues	\$976,518 89	\$1,405,017 67	\$2,096,590 07
Operating expenses	739,282 72	1,052,653 73	1,665,553 22
Net operating revenues.....	\$237,236 17	\$352,363 94	\$430,976 85
Nonoperating revenues:			
Miscellaneous rent revenues.....	\$1,560 00	\$1,660 00	\$1,520 00
Interest revenue on funded debt owned	20,050 00	9,120 00	9,120 00
Miscellaneous interest revenues.....	1,325 70	1,236 57	3,101 14
Miscellaneous nonoperating revenue.....	47,596 01		
Totals	\$70,171 71	\$12,016 57	\$13,741 14
Gross corporate income.....	\$307,707 88	\$364,410 51	\$444,717 99
Deductions:			
Uncollectible bills	\$1,320 61	\$5,084 50	\$5,503 86
Interest on funded debt.....	191,700 00	199,143 33	209,460 00
Other interest	25,572 27	12,357 72	11,645 50
Amortization of debt discount and expense	8,022 42	10,192 68	12,598 92
Total deductions	\$232,615 30	\$226,778 23	\$239,208 28
Balance to corporate surplus account	\$75,092 58	\$137,632 28	\$205,509 71
Corporate surplus account:			
Surplus beginning of year.....	*\$61,716 32	\$16,058 93	\$165,623 51
Additions:			
Profit from income account.....	\$75,092 58	\$137,632 28	\$205,509 71
Miscellaneous	5,020 00	15,370 81	
Total additions	\$80,112 58	\$153,003 09	\$205,509 71
Surplus and additions.....	\$18,396 26	\$169,062 02	\$371,133 22
Deductions:			
Dividends			\$13,125 00
Miscellaneous	\$2,337 33	\$3,438 51	49,738 35
Total deductions	\$2,337 33	\$3,438 51	\$62,863 35
Surplus end of year.....	\$16,058 93	\$165,623 51	\$308,269 87

*Deficit.

Applicant has entered into an agreement to purchase the properties of Economic Gas Company at a cost of \$800,000.00. To secure the necessary funds, applicant intends to issue and sell \$800,000.00 of its bonds. The properties which it will acquire are subject to the following liens:

Account, Union Oil Company contract of August 1, 1915-----	\$1,750 00
Account, Union Oil Company contract of July 1, 1915-----	20,510 00
Account, Temple-Bullard note-----	20,000 00
Total -----	<u>\$42,260 00</u>

The trustee under applicant's mortgage has no authority to certify bonds for the acquisition of property subject to any lien. It is possible that the trustee will require the deposit of \$43,000.00 because of the \$42,260.00 of indebtedness. For this purpose applicant asks permission to issue \$43,000.00 of bonds. It agrees not to sell any of the \$43,000.00 of bonds without a further order from the Railroad Commission.

The testimony of Mr. A. E. Peat, treasurer of Southern California Gas Company, exhibits and reports filed by applicant show that it may be permitted to issue the \$843,000.00 of bonds referred to herein.

We herewith submit the following form of order:

ORDER.

Southern California Gas Company having applied to the Railroad Commission for authority to issue \$843,000.00 of bonds, a public hearing having been held, and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Southern California Gas Company be and it is hereby granted authority to issue \$843,000.00 face value of its 6 per cent first mortgage gold bonds, due November 1, 1950, upon the following conditions and not otherwise:

(1) Forty-three thousand dollars of the bonds herein authorized to be issued, shall be deposited with the trustee and not sold by the company without further order from the Railroad Commission.

(2) Eight hundred thousand dollars of the bonds herein authorized to be issued, may be sold, for cash, by the company for not less than 90½ per cent of their face value plus accrued interest, and the proceeds from the sale of said bonds used to acquire properties of Economic Gas Company, the sale of which is authorized in the decision relating to Application No. 4391.

(3) Southern California Gas Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds herein authorized to be issued; and on or before the twenty-fifth day of each month the company shall

make verified reports to the Railroad Commission stating the sale or sales of said bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted is conditioned upon the payment of the fee prescribed in the Public Utilities Act.

5. The authority herein granted shall apply only to such bonds as may be issued on or before October 1, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twelfth day of March, 1919.

DECISION No. 6182.

IN THE MATTER OF THE APPLICATION OF ECONOMIC GAS COMPANY TO SELL, AND OF SOUTHERN CALIFORNIA GAS COMPANY TO BUY, CERTAIN PROPERTY IN THE CITY AND COUNTY OF LOS ANGELES, STATE OF CALIFORNIA; OF THE SOUTHERN CALIFORNIA GAS COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO EXERCISE A CERTAIN FRANCHISE GRANTED BY THE BOARD OF SUPERVISORS OF THE SAID COUNTY OF LOS ANGELES; AND FOR THE APPROVAL BY THIS COMMISSION OF A CERTAIN CONTRACT ENTERED INTO BETWEEN ECONOMIC GAS COMPANY AND SOUTHERN CALIFORNIA GAS COMPANY AS OF DATE FEBRUARY 1, 1919.

Application No. 4391.

Decided March 12, 1919.

Order approving transfer of properties of Economic Gas Company of Los Angeles to the Southern California Gas Company, for a consideration of \$800,000.00, provided that the transfer value shall not hereafter be urged as a measure of value of the properties transferred in future rate fixing or other investigations. Southern California Gas Company granted a certificate permitting the exercise of rights and privileges under a franchise to be transferred in connection with the sale of the above properties.

Chickering & Gregory, by *Allen Chickering*, for Economic Gas Company.

O'Melveny, Millikin & Tuller, by *Sayre Macneil*, for Southern California Gas Company.

Porter & Sutton, by *D. C. Porter*, for Mrs. Caroline A. Dobbins.

Albert Lee Stephens, for the city of Los Angeles.

EDGERTON and BRUNDIGE, *Commissioners*.

OPINION.

Economic Gas Company asks authority to sell its properties, described in Exhibit "1," to Southern California Gas Company. The

latter company joins in the application and requests permission not only to purchase the properties of Economic Gas Company, but also to operate under Ordinance No. 515 (new series) of the county of Los Angeles, a copy of which is attached to the petition and marked Exhibit "2."

Economic Gas Company reports that it has been unable and is now unable to obtain sufficient natural gas to supply the requirements of its consumers. For some time past, the company has been obliged to supply the deficiency by the manufacture of artificial gas, with the result that the company has been operating at a loss. Officers of the company believe that it is to its interest to sell its properties and retire from business.

It is alleged that the sale of the property of Economic Gas Company will be to the benefit of the public as well as the Southern California Gas Company. The Southern California Gas Company's gas supply largely exceeds that of Economic Gas Company. The purchasing company will be able to sell gas of a more constant quality. The record herein shows that the gas sold by Economic Gas Company during the past few months has been due to the lack of sufficient natural gas and the necessity of manufacturing artificial gas to supply the deficiency, varying in heat units from 600 B.t.u. to about 850 B.t.u. per cubic feet. Some of the consumers of the company were getting natural gas for 24 hours, some of them natural gas at night and mixed gas during the remainder of the day, while others were being served with straight artificial gas. The variation in the quality of the gas served by Economic Gas Company has resulted in unsatisfactory service.

The testimony shows that nearly the entire distributing system of the Economic Gas Company is located in a part of the city of Los Angeles which is not now being served by Southern California Gas Company. Only in two or three places, and only for short distances, do the distributing lines of the two companies parallel each other. There is practically no competition between the Southern California Gas Company and the Economic Gas Company. As a result, the question of duplicate properties does not arise in this proceeding to any material extent. All of the properties, except the generating plant, will be kept in use by the purchasing company. The generating plant will be used only in case of an extreme emergency.

Through the transfer of the properties, Southern California Gas Company will obtain access to a portion of the city in which it is not now operating. Its financial condition will enable it to install extensions necessary and desirable to serve the public in the district now being served by the Economic Gas Company. A. B. Macbeth,

general manager of Southern California Gas Company, testified that all of the present consumers of Economic Gas Company, except those who are now getting natural gas from the Sherman oil fields, will get a gas of a higher heat unit. Those consumers who have been receiving natural gas from the Sherman oil fields will continue to be served by gas obtained from those fields.

Southern California Gas Company intends to acquire the properties of Economic Gas Company pursuant to the terms and conditions of an agreement dated February 1, 1919. Copy of the agreement is attached to the petition herein and marked Exhibit "1." So far as the description of the properties is concerned, the agreement has been amended by the form of conveyance filed with the Railroad Commission on March 8, 1919. The consideration to be paid for the properties is \$800,000.00. The purchasing company will, however, assume the payment of indebtedness and receive credit for so doing to the extent of \$58,510.00, reducing the actual payment to be made by Southern California Gas Company at this time to \$741,490.00. Under the agreement of sale, Economic Gas Company will be permitted to retain all of its accounts and bills receivable and its cash on hand and in bank as of February 1, 1919. It will also be permitted to receive all moneys for gas sold prior to January 31, 1919. The properties are to be transferred to Southern California Gas Company free and clear of all encumbrances.

The agreement of sale recognizes the pending litigation between the Economic Gas Company and Mrs. Caroline A. Dobbins et al. The sale is made subject to this litigation. Economic Gas Company agrees to indemnify Southern California Gas Company in case the property is lost through the litigation. The sale being made subject to the litigation, Mr. D. C. Porter, representing Mrs. Caroline A. Dobbins, withdrew his objection to the transfer of the properties.

Southern California Gas Company now operates in Los Angeles County under Ordinance No. 463 (new series), adopted March 29, 1917. Through the purchase of the properties of Economic Gas Company, it will become the owner of the rights and privileges granted by Ordinance No. 515 (new series) of Los Angeles County. It, therefore, asks the commission to declare that public convenience and necessity require and will require it to operate under Ordinance No. 515 (new series). This ordinance covers, according to the testimony of A. E. Peat, treasurer of Southern California Gas Company, substantially the same territory as Ordinance No. 463 (new series). It is primarily because of the installation of a pipe line under Ordinance No. 515 (new series) by Economic Gas Company, that Southern California Gas Company asks permission to operate under said ordinance.

We herewith submit the following form of order:

ORDER.

Economic Gas Company having applied to the Railroad Commission for permission to sell its properties referred to herein to Southern California Gas Company, and the latter company having joined in the application and having asked permission to operate under Ordinance No. 515 (new series) of Los Angeles County, a public hearing having been held and the Railroad Commission being of the opinion that this application should be granted, subject to the conditions of this order.

It is hereby ordered that Economic Gas Company be and it is hereby granted authority to sell to Southern California Gas Company for the sum of \$800,000.00 the properties described in the proposed instrument of conveyance filed with the Railroad Commission on March 8, 1919, said sale to be made pursuant to the terms and conditions of the agreement attached to the petition herein and marked Exhibit "1," provided:

(A) That the consideration at which the public utility properties are herein authorized to be transferred will not be urged as a measure of value of said properties before this commission, or any other public body, for rate-fixing or any purpose other than the transfer herein authorized.

(B) That Southern California Gas Company file with the Railroad Commission for approval book entries relative to the transfer of the purchase of the properties.

(C) That within thirty days after the execution by the petitioners herein of an instrument of conveyance transferring the properties herein referred to, a certified copy of said instrument of conveyance be filed with the Railroad Commission by Southern California Gas Company.

(D) That the authority herein granted to transfer properties shall apply only to such transfer as may be made on or before October 1, 1919.

The Railroad Commission of the state of California hereby declares that public convenience and necessity require and will require the exercise by Southern California Gas Company of the rights and privileges conferred by Ordinance No. 515 (new series) of the county of Los Angeles adopted May 13, 1918, provided that Southern California Gas Company shall first have filed with the Railroad Commission a stipulation duly authorized by its board of directors declaring the Southern California Gas Company, its successors and assigns, will never claim before the Railroad Commission, or any court or other public body, a value for said rights and privileges in excess of the amount actually paid to the county of Los Angeles as the consideration for the grant of such franchise, and shall have received from the Railroad

Commission a supplemental order declaring that such stipulation has been filed, in form satisfactory to the Railroad Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twelfth day of March, 1919.

DECISION No. 6183.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES COUNTY
WATER WORKS COMPANY FOR AN ORDER AUTHORIZING AN
ADJUSTMENT AND INCREASE IN WATER RATES.

Application No. 4220.

Decided March 12, 1919.

WATER SYSTEMS—OVER CONSTRUCTION.—A water distributing system constructed in connection with the real estate project, will not be allowed a full return on the value of all of its properties when it is shown that the system has been considerably overbuilt and is far from being fully developed.

Applicant authorized to put into effect within thirty days, an increased schedule of rates for domestic and irrigation service and recommendation made that all consumers be metered as soon as possible.

Wm. Mccland, for Los Angeles County Water Works Company.

LOVELAND, *Commissioner.*

OPINION.

Los Angeles County Water Works Company, a corporation, engaged in the business of distributing and selling water for domestic and irrigation purposes in the so-called "Shoestring Strip" within the city of Los Angeles and the unincorporated territory adjacent thereto, which includes the town of Gardena, asks authority to adjust and increase the rates charged to its consumers.

Applicant alleges that due to the unusual conditions brought about by the war and still obtaining, the cost of labor and material has advanced to such an extent that the existing rate is not sufficient to meet the operating expenditures and provide for depreciation and a reasonable interest on the investment.

A public hearing was held in this proceeding at Los Angeles on December 12, 1918.

The company was originally incorporated as the Strawberry Park Water Company and operated under a franchise granted by Los Angeles

County, delivering water for domestic and irrigation use within subdivided tracts which were then being placed on the market. In 1909, the Los Angeles County Water Works Company was incorporated and the franchise transferred to it. In 1913, Mr. Wm. Medland purchased the stock of the company and has operated it since that time.

There is stock outstanding to the amount of \$250,000.00, all of which is held by Mr. Medland, except the qualifying shares. The bonded indebtedness of the present corporation is \$40,000.00.

The rates in effect are as follows:

Meter Rates.

900 cubic feet or less.....	\$1 25
900 to 2,000 cubic feet, per 100 cubic feet	14
Over 2,000 cubic feet, per 100 cubic feet.....	10
Domestic flat rate for houses with less than one-fourth acre of land, per month	1 50

These rates were in effect when applicant took over the system and Mr. Medland testified that he had no knowledge as to the basis on which they were established. There are about 700 consumers, of which 390 are metered. It is suggested that the system be completely metered, as this has the effect of preventing waste and excessive use, which can not be controlled where consumers are on a flat rate. The company also operates an irrigation system consisting of a separate well and pumping plant, with flume, conduits and hydrants, all operated independently of the domestic system. The charges for irrigation are \$1.25 an hour for the capacity of the pump, which is 120 miner's inches.

The water is pumped for both domestic and irrigation purposes from two wells, the domestic water being stored in a concrete tank, from which it is distributed to the consumers. The irrigation water is taken directly from the pump. Another well has been drilled by applicant to supply the domestic water, as the earthquake of last summer damaged the present well so that it could not be depended on to yield large quantities of water. An extra pump owned by applicant will be installed in the old well and this plant will act as a standby unit for emergencies.

The territory served by the domestic supply is principally a residential district with a small business center in Gardena and is fairly well built over. Being originally a real estate project, it covers more area than would result from normal growth and is capable of considerable internal development. Nearly one-half of the lots in the area served are occupied. The irrigation system serves small tracts which are intensively farmed and are more compactly located than the services on the domestic system.

A field investigation and appraisal of the company's property was made by the commission's engineers and it was found that the estimated

reproduction cost new (using normal prewar prices) for both domestic and irrigation system, amounted to \$83,514.00. The sinking fund annuity on this sum, computed on a 6 per cent basis, is \$1,444.00.

In view of the fact that not one-half of the lots in the area are occupied, due to overextension, it is not fair to charge the total estimated cost of the system against the present consumers. A return on \$75,000.00 is a fair allowance to appear in the annual charges.

A careful examination was made of the maintenance and operation expense, as set out in applicant's annual report, and all charges were found to be correct and properly charged with the exception of a few items in 1918, which have been deducted as properly chargeable to capital. A tabulation of this expense follows:

	1915	1916	1917	1918
Operating labor and expense.....	\$4,234 31	\$3,115 06	\$3,713 81	\$4,199 00
Repairs to operating capital.....	513 03			304 00
Repairs to distribution and trans- mission capital			21 90	8 00
Collections, etc.	318 73	319 60	738 80	508 00
General expense	2,946 45	3,169 33	3,107 66	2,760 00
Taxes	338 16	304 81	344 21	388 00
Total expenditure	\$8,050 68	\$6,908 90	\$7,926 41	\$8,077 00
Total revenue	\$13,374 26	\$13,022 85	\$15,228 43	\$13,260 53
				\$15,160 00

¹Expenditure for 11 months only.

²Revenue for 10 months only.

³Revenue for 12 months.

The increase in 1918 expense over the preceding years shows the effect of the increased cost of labor and materials. Due to the present unsettled labor and material conditions, it is difficult at this time to estimate future expenditure on the basis of present or past performance.

After giving the matter careful consideration, the sum of \$8,500.00 is considered a fair allowance for future maintenance and operation expense.

The annual charges which applicant is considered entitled to have returned to it in rates are as follows:

Interest on \$75,000.00 at 8 per cent.....	\$6,000 00
Depreciation annuity 6 per cent sinking fund.....	1,444 00
Maintenance and operation.....	8,500 00
	\$15,944 00

The rates set out in the order herein are estimated to return to the utility the above amount.

I submit the following form of order:

ORDER.

Los Angeles County Water Works Company having applied to the Railroad Commission for authority to increase its rates for domestic and irrigation water, served in the "Shoestring Strip" of the city of Los Angeles and in the unincorporated territory adjacent thereto, which includes the town of Gardena, a public hearing having been held and the commission being fully advised in the premises,

It is hereby found as a fact that the rates set out in this order are just and reasonable rates and that the rates heretofore charged by Los Angeles County Water Works Company are unjust and unreasonable rates in so far as they differ from the rates herein established.

Basing its order on the foregoing finding of fact and on the further findings of fact contained in the opinion which precedes this order,

It is hereby ordered that Los Angeles County Water Works Company be and it is hereby authorized to file with the Railroad Commission of the state of California the following schedule of rates, within thirty (30) days from the date of this order, for water to be served to its consumers in the "Shoestring Strip" of the city of Los Angeles and the unincorporated territory adjacent thereto, which includes the town of Gardena, said rates to become effective on March 1, 1919:

Meter Rates.

500 cubic feet or less	\$1 00
500 cubic feet to 2,000 cubic feet, per 100 cubic feet.....	15
Over 2,000 cubic feet, per 100 cubic feet.....	10

Flat Rates.

Domestic—for house and less than one-fourth acre of land, per month--- \$1 50

Irrigation Rate.

\$1.35 per hour run of pump at capacity.

Fire Service.

Per hydrant per month.....	\$2 00
Minimum payment per month.....	25 00

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twelfth day of March, 1919.

DECISION No. 6184.

IN THE MATTER OF THE APPLICATION OF NAPA CITY WATER COMPANY FOR AN INCREASE IN RATES TO MEET INCREASED COSTS IN OVERHEAD EXPENSE, COSTS OF OPERATION, MATERIALS, ETC.

Application No. 4059.

Decided March 12, 1919.

Upon a showing that its present rates are insufficient to meet operating expenses, an increased schedule of rates is authorized to become effective within twenty days and recommendation made that applicant proceed immediately to install meters for each consumer at present receiving service on a flat rate basis.

H. L. and L. E. Johnston, for Napa City Water Company.

Wallace Rutherford, for city of Napa.

H. L. Williamson, in propria persona.

LOVELAND, *Commissioner.*

OPINION.

This is an application of Napa City Water Company, a public utility corporation, hereinafter referred to as the applicant, engaged in the business of supplying water to the people of Napa and vicinity, for permission to increase rates to meet increased costs of operation.

A public hearing was held in Napa, January 29, 1919.

The application alleges, in effect, that owing to increased salaries, taxes, power bills and materials, its operating expenses will be increased in excess of \$3,000.00 per annum and under the present rates the applicant is not receiving sufficient revenue to pay a proper return upon its investment.

Applicant asks permission to increase its monthly minimum charge from \$1.00 to \$1.25, exclusive of Alta Heights, where the commission has heretofore fixed the minimum at \$1.50, or for such other or further relief as the commission may deem equitable.

The capital installed on December 31, 1918, as shown by the applicant's books, was \$301,924.79, and an inspection of the property and a check of inventories submitted indicates that a fair estimate of reproduction cost would amount to at least this amount. It, therefore, appears fair to use the book capital as the basis upon which to compute a return.

This commission has stated in a number of instances that a measured system of rates is the only method in which each consumer bears his fair portion of the expense and I desire to recommend that this utility proceed at once to complete metering of the system. The system at

present has meters on about eighty per cent of all services. Full allowance will be made in the rate base to cover the cost of such additional meters as are required.

Maintenance and operating expense for 1918, as shown by the books, was \$22,880.00, and investigation indicates that reasonable increases due to higher costs of labor, materials, power and taxes will necessitate an allowance of \$23,400.00 per annum in the future, and I find as a fact that it is a reasonable amount to be included in annual charges to meet this expense.

Inspection of the properties and a study of the inventories submitted by the applicant indicate that the system has an average probable life of 33 years. On the 4 per cent sinking fund basis, the allowance for depreciation annuity should be \$4,682.00.

In view of all the circumstances, I am of the opinion that a 6 per cent return upon the investment will be fair and reasonable.

The necessary annual charges are then as follows:

Interest on \$310,000.00 at 6 per cent-----	\$18,600 00
Depreciation annuity -----	4,682 00
Maintenance and operation -----	23,400 00
Total -----	\$46,682 00

In 1918 the applicant's operating revenues amounted to \$38,125.00, and the deficit from operation, based upon the necessary annual charges set forth above, is \$8,557.00.

I therefore find as a fact that the applicant is entitled to an increase in rates.

The rates fixed in the accompanying order are just and reasonable rates and will provide sufficient revenue to yield the necessary increase.

The rates heretofore charged the city and county of Napa for water used in sprinkling streets and parks are as fixed by ordinance and are less than those charged other consumers. Considering the public nature of such use of water, I am of the opinion that it will be unnecessary at this time to change these rates.

I submit the following form of order:

ORDER.

Napa City Water Company having made application for permission to increase rates charged by said Napa City Water Company to its consumers, a public hearing having been held thereon, and the commission being fully apprised in the premises,

The Railroad Commission hereby finds as a fact that the rates now charged by Napa City Water Company are unjust and unreasonable in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates to be charged by Napa City Water Company.

Basing its order on the foregoing finding of fact and upon the further findings of fact contained in the opinion which precedes this order.

It is hereby ordered that Napa City Water Company be and the same is hereby authorized to file with the Railroad Commission within twenty (20) days from the date of this order, and thereafter to charge the following rates for water served to the inhabitants of Napa and vicinity:

Rate Schedule

Metered use:

To apply to all users on separate premises, in whatever ownership.

1. Monthly minimum payments:

$\frac{1}{2}$ inch and $\frac{3}{4}$ inch services	\$1 00
1 inch services	1 50
1 $\frac{1}{2}$ inch services	1 75
1 $\frac{3}{4}$ inch services	2 00
2 inch services	3 00
2 $\frac{1}{2}$ inch services	3 50
3 inch services	4 00

2. Monthly meter rates:

First 10,000 gallons, per 1,000 gallons	0 40
Next 90,000 gallons, per 1,000 gallons	0 36
Over 100,000 gallons, per 1,000 gallons	0 32

Flat rate use:

To apply to all users on separate premises in whatever ownership.

Monthly flat rates:

1. Residences, boarding houses, apartments, lodging houses, tenements and flats of five rooms or less	\$1 25
For each additional room	0 25
Additional for each bathtub	0 30
Additional for each toilet	0 30
Additional for each private garage and one machine	0 25
For each additional automobile	0 25
Additional for private barn not more than two horses or cows	0 50
For each additional horse or cow	0 20
2. Sprinkling or irrigation of lawns, shrubbery, trees, gardens, etc., per square yard	0 02
3. Blacksmith shops, machine shops, lumber yards, printing offices, bakeries, undertaking parlors, grocery stores, dental offices, theaters, warehouses, butcher shops and large stores	3 00
4. Drug stores and photograph galleries	3 50
5. Bottling works, creameries, slaughterhouses and laundries	5 00
6. Banks, professional offices, billiard parlors, fraternal halls, club-rooms, churches, shoe shops, plumbing shops, stores and shops not otherwise listed	1 50
7. Office buildings for each room	0 50
8. Restaurants, chop-houses and cafes, per unit of seating capacity	0 15
9. Livery stables and feed yards, per average number of stock fed, each	0 25
10. Barns in connection with stores, shops, etc.—not more than two horses	0 50
For each additional horse	0 25
11. Garages—6 autos or less	3 00
For each additional machine	0 50
12. Soda fountains and ice cream parlors—either alone or in connection with other business	2 00
13. Additional for each bathtub, toilet or urinal in 3 to 12 inclusive	0 30

Monthly flat rates—*Continued.*

14. Barber shops, per chair	1 00
Additional for each bathtub	1 00
Additional for each toilet	0 50
15. Saloons	3 00
Additional for each toilet	0 50
Additional for each urinal	0 30
16. Buffets in connection with fraternal halls or clubrooms	1 50
17. Hotels—	
Dining room	2 00
Bedrooms with running water	0 25
Each bathtub	0 50
Each toilet	0 30
18. Steam engine, per horsepower	0 10
19. Public drinking fountain	1 50
20. Public watering trough	2 50
21. Building work	
For mortar and to dampen bricks, per 1,000 bricks	0 35
For cement work, each barrel	0 15
22. Meters will be installed at the request of any consumer who desires to be charged at meter rates.	
23. The company reserves the right to install meters at its own expense upon any service connection and thereafter charge the meter rate.	

Public use:

Underground fire hydrants, per month	\$2 00
Post and steamer fire hydrants, per month	2 50
Engine house, per month	5 00
Police headquarters, per month	1 50
Library, per month	1 50
Courthouse, per month	25 00
Courthouse plaza, per month	25 00
Street, road and park sprinkling, per 1,000 gallons	0 10
All other public use at ordinary metered rates.	

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twelfth day of March, 1919.

DECISION No. 6186.

IN THE MATTER OF THE APPLICATION OF STOCKTON-FRESNO
MOTOR FREIGHT COMPANY FOR AN ORDER AUTHORIZING THE
ISSUE OF STOCK.

Application No. 4384.

Decided March 12, 1919.

Sidney Schlesinger, for Applicant.

LOVELAND, *Commissioner.*

OPINION.

Stockton-Fresno Motor Freight Company asks authority to issue, at par, \$25,000.00 par value of its common capital stock. Stockton-

Fresno Motor Freight Company was organized in November, 1918, with an authorized capital stock of \$50,000.00. In Decision No. 6026, dated December 26, 1918, the Railroad Commission authorized applicant to engage in the motor freight transportation business between Stockton and Merced and between Merced and Fresno, and intermediate communities. Two round trips are to be made daily between Stockton and Merced and one round trip daily between Merced and Fresno. Other cities and towns which will be served by applicant are Manteca, Ripon, Salida, Modesto, Ceres, Keyes, Turlock, Delhi, Livingston, Arena, Atwater, Merced, Athlone, Minturn, Chowchilla, Fairmead, Berenda, Madera, Borden and Herndon.

Applicant does not intend to engage in the transportation of passengers, but will limit its business to the transportation of freight, and possibly, engage in the warehouse business. If it engages in the latter business, it will be incidental to its main business—the transportation of freight.

Applicant estimates the value of its equipment at \$25,294.37. The balance due on its equipment is reported at \$7,165.80.

Of the \$25,000.00 of stock, \$2,500.00 will be issued to H. W. Spurr to reimburse him for expenses incurred in connection with obtaining the necessary permits and to compensate him for services rendered, \$8,668.00 to R. E. Skinner and S. E. Statler in exchange for automobile equipment, while \$13,832.00 of stock will be sold at par for cash. The equipment to be acquired through the issue of the \$8,668.00 of stock consists of a G. M. C. Republic (chassis and old dump body) truck valued at \$4,000.00, a Velie truck and new body, valued at \$4,000.00 and a trailer valued at \$668.00. The Republic truck is being turned in, in exchange for new equipment, the company receiving for such truck on its new equipment a credit of \$4,000.00.

F. W. Dohrmann, president of Stockton-Fresno Motor Freight Company, testified that not only has the company received subscriptions for the stock to be sold for cash, but the full subscription price has been paid. The record shows that the money has been used to acquire equipment, to secure terminal facilities and to establish the company's business. No stock has been issued to the stock subscribers who have paid in \$13,832.00. All of the company's stock will be acquired by individuals who are at this time interested in the operations of the company. There is no intention to sell any of the stock to the general public.

I herewith submit the following form of order:

ORDER.

Stockton-Fresno Motor Freight Company having applied to the Railroad Commission for authority to issue \$25,000.00 of stock, a public

hearing having been held, and the commission being of the opinion that this application should be granted,

It is hereby ordered that Stockton-Fresno Motor Freight Company be and it is hereby authorized to issue \$25,000.00 par value of its common capital stock, upon the following conditions:

(1) Eight thousand six hundred sixty-eight dollars of stock shall be delivered to R. E. Skinner and S. E. Statler in equal portions in consideration of the transfer by them to the applicant of the following trucks and equipment:

G. M. C. Republic (chassis and old dump body) truck valued at \$4,000.00.
Velie truck and new body, valued at \$4,000.00.
Trailer complete valued at \$668.00.

(2) Two thousand five hundred dollars of stock shall be issued to H. W. Spurr to reimburse him for expenses paid in connection with the securing of the necessary permits under which applicant will operate and to compensate him for services rendered in organizing the company and selling its stock.

(3) Thirteen thousand eight hundred thirty-two dollars shall be sold for not less than par and the proceeds obtained therefrom used by applicant to acquire automobile and freight truck equipment and to pay expenses incurred in connection with the establishment of applicant's business.

(4) Stockton-Fresno Motor Freight Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds from the sale of the stock herein authorized to be issued and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission stating the sale or sales of said stock during the preceding months, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(5) The authority herein granted shall apply only to such stock as may be issued on or before September 1, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twelfth day of March, 1919.

DECISION No. 6192.

IN THE MATTER OF THE APPLICATION OF THE SIERRA AND SAN FRANCISCO POWER COMPANY, A CORPORATION, FOR AUTHORITY TO INCREASE RATES FOR ELECTRICITY TO ITS PATRONS OTHER THAN THE UNITED RAILROADS OF SAN FRANCISCO, THE LATTER RATE BEING COVERED BY CONTRACT.

Application No. 3958.

IN THE MATTER OF THE ELECTRIC RATE CHARGED TO THE UNITED RAILROADS BY THE SIERRA AND SAN FRANCISCO POWER COMPANY.

Case No. 1273.

Decided March 12, 1919.

BY THE COMMISSION,

SUPPLEMENTAL ORDER.

In Decision No. 5867 in the above-entitled proceedings, Sierra and San Francisco Power Company was authorized to charge and collect, in addition to the charges for electricity fixed by its schedules of rates and by its contracts on file with this commission, certain surcharges, including a surcharge upon energy sold for power purposes, as follows:

"For energy sold for power purposes, including heating and cooking, 3 mills per kilowatt hour."

It now appears that this surcharge of 3 mills per kilowatt hour on energy sold for power purposes results, in the cases of certain consumers, who, by reason of their large consumption of electricity, formerly obtained the same at comparatively low rates, in an increase substantially greater in proportion than was originally intended, and higher than the present increased costs of this utility's operations require for service of this character.

It further appears proper and reasonable, and at the same time nondiscriminatory, to reduce in some degree the power surcharge heretofore authorized.

Based on the foregoing findings of fact,

It is hereby ordered that effective for all meter readings taken on and after the twenty-fifth day of March, 1919, the authority to charge and collect a surcharge for energy sold for power purposes of 3 mills per kilowatt hour be and the same is hereby revoked, and in lieu thereof,

It is hereby ordered that Sierra and San Francisco Power Company be and is hereby authorized to charge and collect, in addition to the

charges for electricity fixed by its schedules of rates and by its contracts on file with the Railroad Commission, for energy sold for power purposes, including heating and cooking, the following surcharges, to wit:

Where the annual consumption of energy for power purposes is less than 1,000,000 kilowatt hours per year, 3 mills per kilowatt hour.

Where the annual consumption of energy for power purposes is greater than 1,000,000 kilowatt hours and less than 2,000,000 kilowatt hours per year, 2½ mills per kilowatt hour.

Where the annual consumption of energy for power purposes is greater than 2,000,000 kilowatt hours per year, 2 mills per kilowatt hour.

Which surcharge shall be effective for all regular meter readings taken on and after the twenty-fifth day of March, 1919.

In all other respects the original order in Decision No. 5867 in the above-entitled proceedings shall remain in full force and effect without modification.

The foregoing opinion and order is hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twelfth day of March, 1919.

DECISION No. 6193.

IN THE MATTER OF THE APPLICATION OF COAST VALLEYS GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING INCREASE IN ITS ELECTRIC RATES.

Application No. 4218.

Decided March 12, 1919.

RATE INCREASES --SERVICE.—A public utility will be allowed rates sufficient to enable it to render first-class service to its consumers, but the utility will be required to carry out such improvements as are necessary to enable it to render such service at once. Electric rates for lighting, heating and power service increased to become effective on all meter readings made on and after March 20, 1919.

Chickering & Gregory, by *Warren Gregory* and *W. C. Fox* and *A. C. Van Fleet*, for Applicant.

J. H. Andresen, city attorney, for city of Salinas.

H. G. Jorgensen, city attorney, for city of Pacific Grove.

F. A. Treat, city attorney, for city of Monterey.

H. R. Osborne, city attorney, for city of King City.

BY THE COMMISSION.

OPINION.

In this proceeding, Coast Valleys Gas and Electric Company, herein-after referred to as applicant, asks that the commission investigate its

rates and charges for electricity and establish such increased rates as the commission may deem just and reasonable to offset the increases in operating expenses to which applicant's electric business has been subjected since its rates were established in Decision No. 4847, dated November 16, 1917.

A hearing was held at Salinas before Examiner Westover on January 21, 1919, at which time evidence was submitted by applicant and by certain protestants, and at which time applicant submitted the matter to the commission. The city of Salinas reserved its submission but subsequently did so by stipulation. The matter is now ready for decision.

The Coast Valleys Gas and Electric Company is engaged in supplying electricity as a public utility in the cities of Salinas, Monterey, Pacific Grove, King City and in the small communities and rural sections in Monterey County. It is also engaged in the manufacture and distribution of gas and in the distribution of water in several of the above mentioned cities. We are concerned herein only with applicant's electric operations.

The greater part of the energy distributed by applicant is purchased from the Sierra and San Francisco Power Company and a small portion generated in its own steam plants. In its petition Coast Valleys Company states that in Decision No. 5867, dated October 22, 1918, the commission increased the rate for electric energy purchased by it from Sierra and San Francisco Power Company in the amount of $2\frac{1}{2}$ mills per kilowatt hour; that such surcharge represents a substantial increase in applicant's cost of service; that the cost of oil used at applicant's steam generating plants has also increased; that applicant's other operating expenses, including labor employed and materials used in the maintenance and operation of its electric properties, have all been subject to increase. Applicant states that its net income and the return upon its investment will thus be reduced to such an extent as to render it unable to continue to perform its proper functions and to care for its financial and other obligations.

Protestants herein, particularly the city of Salinas, object to any increases in applicant's rates at this time on the grounds that applicant's electric service is subject to frequent, long and serious interruptions which have been a source of both annoyance and pecuniary loss to many electric consumers. The testimony introduced by protestants clearly establishes in our minds the fact that the standard of applicant's service should be substantially improved, and that its electric consumers are entitled to better service than is now and has been for some time in the past supplied by applicant.

It appears from the testimony of protestants, confirmed by applicant's witnesses, that the difficulties concerning the service in this territory

are traceable to three primary causes: First, interruptions on the line of the Sierra and San Francisco Power Company which supplied applicant; second, interruptions on applicant's own transmission lines; and third, fluctuations in voltage not accompanied by interruptions.

The interruptions which have occurred on the lines of the Sierra and San Francisco Power Company supplying applicant have been due partly to the failure of the high tension insulators supporting the conductors on this line, and partly to unusual lightning disturbances occurring in the autumn of 1918. The latter are, of course, beyond the control of either applicant or the Sierra company, and the former, as shown in the evidence herein, is due to the gradual deterioration of insulators culminating in their final rupture, which could not be anticipated and which the Sierra company is, by means of continual replacements, making an effort to modify and remove. Applicant maintains an auxiliary steam generating plant which should be operated in such a manner as to be ready at all times to relieve interruptions from any causes. Such method of operation has not been followed in the past, and as a result, the time interval necessary to put applicant's steam plants in full operation is of such duration that applicant's consumers are often without electricity for some considerable time. It also appears that applicant's steam plant at Monterey, which is the only plant of sufficient capacity to be of use from a service standpoint, is not so connected to Salinas, which is the point of delivery of energy to applicant by Sierra company, that the re-establishment of service can be quickly effected when interruptions arise.

The second cause of interruptions, namely those occurring on applicant's own transmission system, result in part from the absence of sufficient attendance in applicant's substations, and in part from the installation of new insulators necessary when the voltage on the lines south of Salinas was raised to enlarge their capacity. Advance notice had been given of such interruptions in some instances.

The third factor, namely unsteady voltage, is due to the lack of automatic voltage regulators, which devices are generally used on all modern electric distributing systems where lighting load is supplied.

The engineers of the gas and electric division of the commission and applicant's engineers have made a very thorough inspection of Coast Valleys Electric system, and have made certain recommendations which will be discussed hereinafter.

We shall now proceed to a consideration of the factors resulting in applicant's increased operating expenses, and will then deal with the

expenditures and changes in applicant's methods of operation, which in our opinion are necessary for the improvement of its service.

Applicant shows the following specific items of increase in its operating expenses if present conditions had prevailed during the year ending October 31, 1918:

Item	Increase for the year
Purchased energy, 13,291,631 kilowatt hours at 2½ mills per kilowatt hour, aggregating	\$31,405 07
Labor, representing an average increase in wages of 10 per cent over the preceding year, amounting to	2,783 37
Fuel oil, showing an average increase over the preceding year of 6.95 per cent, or in total	1,181 64
Steam plant supplies	84 13
Or a total of	\$35,453 61

There are other minor items of greater expense, but as the above comprises at least 90 per cent of all direct operating expense, applicant finds no necessity for analyzing the remainder.

The effect of these increases applied to applicant's electric business for the year ending October 31, 1919, is shown in the following table in comparison with the corresponding items for the two preceding years. In this table submitted by applicant are set forth its revenues, operating expenses, net income, capital and rate of return.

The figures of capital used for comparing the returns in three years shown in this table are based upon the findings of value by this commission in Decision No. 4847, in which was set forth the rate base as of June 30, 1917. To this has been added the net additions and betterments as shown by applicant's books and records to October 31, 1918, with a reasonable allowance for additions and betterments to electric capital for the year ending October 31, 1919. From these data have been deduced applicant's capital as of October 31, 1917, 1918 and 1919, and the figures used herein for comparison are the averages for each year, including materials and supplies and working capital for comparison with the corresponding revenue and expense for each year set forth. The depreciation allowance included in operating expense is likewise based upon the findings in Decision No. 4847 above.

TABLE I.

Coast Valleys Gas and Electric Company—Electric Capital, Revenue, Expenses and Return as Shown by Applicant.

Year ending October 31	1917	1918	Estimate for 1919
Average capital for the period.....	\$947,610 00	\$988,490 00	\$1,051,118 00
Gross revenue	209,145 00	235,050 00	266,400 00
Operating expenses:			
Production—			
Purchased power	\$76,189 00	\$84,480 00	\$142,538 00
Fuel for steam.....	5,724 00	16,993 00	14,856 00
Transferred energy (to gas and water operations)	*9,283 00	*11,400 00	*11,400 00
Operating and maintenance.....	5,754 00	9,326 00	9,090 00
Total production expense.....	\$78,384 00	\$99,399 00	\$155,084 00
Transmission expense	\$5,872 00	\$4,015 00	\$5,265 00
Distribution expense	12,851 00	13,433 00	17,292 00
Commercial expense	7,649 00	8,897 00	9,629 00
General and miscellaneous expense....	10,707 00	12,121 00	12,373 00
Taxes	11,892 00	14,294 00	16,200 00
Uncollectible bills	320 00	320 00	320 00
Subtotals	\$127,675 00	\$152,479 00	\$216,163 00
Depreciation	15,184 00	15,806 00	16,681 00
Total operating expense.....	\$142,859 00	\$168,285 00	\$232,844 00
Net income	\$66,286 00	\$66,765 00	\$33,556 00
Per cent return on average capital....	7.00%	6.75%	3.19%

*Credit.

The most important deduction from Table I above is that applicant's net income for the year ending October 31, 1919, will be but 50 per cent of that for preceding years 1917 and 1918, which in turn results in a reduction in rate of return upon applicant's capital from 7.00 per cent to 3.19 per cent. Furthermore, after the deduction of a proper allowance for depreciation, the net income of \$33,556.00 for the year ending October 31, 1919, is insufficient to meet the bond interest accruing on applicant's outstanding securities. That there is a real necessity from applicant's standpoint of an increase of its electric rates, is evident.

The necessity for improved service being also apparent, applicant submits a list of necessary changes with the capital expenditures and increases in operating costs to bring this about. The evidence herein indicates that the steam plant at Monterey should be overhauled; that line and transformer improvements should be made at Monterey; that the Salinas substation should be rebuilt and modern effective switching apparatus installed; and that feeder voltage regulators are necessary at Monterey and Salinas. Applicant also presents an estimate of the

increased cost of operating Monterey steam plant at 10 per cent load for 20 hours per day throughout the year as an insurance against interruptions, enabling this station to pick up the load quickly in case of trouble. Applicant, in addition, proposes to improve its attendance at Salinas substation by employing another operator, and further proposes a local general manager to have supervision over its whole system. Applicant states that the improvements it sets forth will require the expenditure of \$36,000.00 of new capital and an increase in operating expenses of \$34,300.00 per year.

We believe applicant has overestimated the extent to which its steam plant should be run, and there appears no more need for stand-by operation than would be provided by half as extensive use of this plant, as is shown by applicant. In other words, continuity of service will be sufficiently insured, in our judgment, if applicant's Monterey plant is operated at 10 per cent load for 10 hours per day on the average throughout the year. This does not mean, of course, that the plant should operate at a uniform load for this period of time for every day in the year, for at times there will be a necessity for more than this, and at other times during good weather conditions there will be little or no need for any more than a floating on the line. On the whole, however, it appears reasonable that 10 per cent operation for 10 hours per day on the average will result in a very substantial improvement in the service rendered. Applicant shows that its energy for the year ending October 31, 1919, is to be obtained approximately as follows:

To be purchased from Sierra company-----	15,283,000 kilowatt hours
To be generated by steam-----	750,000 kilowatt hours
Total -----	16,033,000 kilowatt hours

The production by steam of 750,000 kilowatt hours appears from the past years' operations to be a sufficient output to provide for both interruptions on the Sierra line and for stand-by service to the extent proposed above. The expense incidental to one-half of this amount, or 375,000 kilowatt hours, would be borne by the Sierra company during periods of interruptions in accordance with the terms of the existing inter-company contract. The other half, or another 375,000 kilowatt hours, is slightly more than average 10 hours' operation at 10 per cent rated load on the Monterey steam plant. Evidently applicant has in its estimate of cost for the year ending October 31, 1919, already provided sufficient expense to cover all of the operation of its steam plant for both insurance of service and for interruptions, and there is no necessity, as it has done, for adding any further expense of oil, labor or supplies than is included in its figures set forth in Table I preceding.

It is not essential in our judgment for a local general manager to be located in Salinas and to have supervision over the whole system. That applicant should propose this would seem to indicate that sufficient responsibility and initiative are not vested in its local managers and agents. Applicant's general management is certainly capable of handling its affairs and an additional local manager would, in our judgment, be an unnecessary duplication of activities. Whatever applicant intends to accomplish by this proposal can, we believe, be met by enlarging the responsibilities and duties of its local representatives and by some change in the company's methods that will keep its head office in closer touch with its business in Monterey County.

With the above exceptions, we concur in applicant's suggestions for improved service and propose to allow herein a return on necessary additional capital and sufficient additional operating expense, to be absorbed in higher rates by this utility so that there will be funds for applicant to fully carry out its obligation to its consumers.

An analysis of the remaining figures of additional capital and expense necessary for these changes indicates that the amount shown by applicant for capital expenditures is not entirely a new outlay. Many of the improvements which it proposes in its steam plant are largely items of deferred maintenance, and many of the other changes involving outlay of capital will result in the retirement of equipment at present used, so that the actual increase in capital will be less than shown herein.

In reviewing the figures, we are of the opinion that applicant will be required to spend in the neighborhood of \$25,000.00 net outlay in new capital; that deferred maintenance should be included herein, not in full, but prorated over a short period in the future. The total of deferred maintenance now necessary is about \$3,900.00, and if this be prorated over a period of three years, the annual expense for additional maintenance should be about \$1,300.00. In addition, further increase in operating expense of \$1,800.00 for substation attendance should be allowed.

We propose to add to the rate base shown in Table I the amount of \$25,000.00 to cover all the necessary capital expenditures for service improvement and to add to the operating expense there shown the amount of \$3,100.00 which is made up of \$1,300.00 additional maintenance and \$1,800.00 additional operating expense. We have, on the basis of the steam plant operating program, suggested above, slightly increased applicant's original figures of production cost. With the changes of capital and expense noted above, we submit Table II

herewith as showing capital, revenue and expense of applicant's electric department for the year ending October 31, 1919, under existing rates and under the rates hereinafter established. The items in Table II are, in general, those submitted by applicant in Table I with the changes indicated above to provide for service improvements. With the additional capital outlay and expense shown in Table II, the net return to applicant under existing rates will be but 2.46 per cent of the increased capital. The net total additional cost of the improvements proposed is slightly in excess of \$7,000.00 per annum, which in our judgment is well worth paying for by this utility's consumers. We find that the expenses set forth in Table II for the period designated are reasonable in respect to the several items shown, and in respect to the total.

TABLE II.

Coast Valleys Gas and Electric Company (Electric Department), Year ending October 31, 1919, With Service Improvements.

Capital:

As shown in Table I above.....	\$1,051,118 00	
Additional for service improvements.....	25,000 00	
Total capital		\$1,076,118 00

	Under existing rates	Under rates hereinafter established
Revenue	\$266,100 00	\$319,730 00
Expense:		
Production—		
Operation and maintenance.....	\$9,089 00	\$9,089 00
Fuel for steam.....	14,836 00	14,836 00
Purchased power	146,731 00	146,731 00
Less power used by other departments.....	*—12,000 00	*—14,400 00
Total production	\$158,676 00	\$156,276 00
Transmission	5,265 00	5,265 00
Distribution	17,292 00	17,292 00
Commercial	9,629 00	9,629 00
General and miscellaneous.....	12,373 00	12,373 00
Taxes	16,200 00	19,443 00
Uncollectible bills	320 00	320 00
Depreciation	17,099 00	17,099 00
Additional for service improvements—		
Maintenance	\$1,330 00	
Operation	1,800 00	
	3,100 00	3,100 00
Total expense	\$239,954 00	\$240,797 00
Net income for return.....	26,146 00	78,933 00
Rate of return on capital of \$1,076,118.00.....	2.46%	7.33%

*Credit.

Based on the foregoing consideration of increased expenses for both operation and improvement of service, we deem it proper to increase applicant's rates and charges for electricity in sufficient amount to provide it, under the conditions shown in Table II, with a return approximating that earned during the years 1917 and 1918. To bring applicant's net return for the year ending October 31, 1919, to its former basis, will require an increase in its gross revenues of \$53,330.00, which is an average raise of 20 per cent on present rates. In apportioning this total amount of increased revenue to the several classes of business, it appears proper to assess applicant's lighting consumers with slightly more than its power consumers, for the obvious reason that the service improvement outlined above and which is to be supplied at an additional cost, results largely to the advantage of this utility's lighting consumers. We therefore propose the following surcharges to yield the necessary additional revenue:

- For energy sold for lighting purposes, except for public outdoor lighting, $1\frac{1}{2}$ cents per kilowatt hour.
- For energy sold for heating and cooking, $\frac{1}{2}$ cent per kilowatt hour.
- For energy sold for power purposes, including railway power, 20 per cent of monthly bills.
- For energy sold for public outdoor lighting purposes, 15 per cent of monthly bills.

These proposed increases when applied to the estimated sales of energy for the year ending October 31, 1919, are estimated to produce the required \$53,330.00 additional revenue. We assume that applicant will charge its gas and water departments for energy used at a rate 20 per cent in excess of the present rate, and have therefore made a corresponding modification in its credit to production expense for energy so transferred. The second column of Table II, preceding, shows the revenue with the full amount of increase from the proposed surcharges that will accrue to applicant and the expenses of operation under these conditions. The net income after the deduction of all reasonable and proper operating expenses shown in Table II will be \$78,933.00, which is 7.33 per cent of applicant's capital, and which return is slightly in excess of that heretofore earned up to the present time. If any curtailment of use of electricity shall arise as a result of these rate increases, and this is probable to some degree, applicant will not obtain the full amount of the proposed increase or the full return shown above.

We believe that applicant's electric service, improved as outlined herein, will, under present conditions, be worth the additional cost to consumers, and when in the enjoyment of the better returns applicant's financial condition will be such that it can adequately meet the constantly growing needs of this territory. On the other hand, the increases proposed will result in rates that are as high as any utility

of the nature and extent of applicant herein can expect to charge. Coast Valleys company is yet in a development stage, and the growth of the territory in which it operates is, to some degree, dependent on the use of electric power for irrigation. The rates herein established are, in our opinion, such as to provide adequate service and permit an unrestricted development of the territory served, and both the community and the utility should gain thereby.

It is hardly necessary to state that we believe applicant's proposal for service improvements has been made in good faith, and in allowing herein a full return on such capital expenditures and such increased operating expenses as are necessary for the carrying out of these improvements, we shall expect applicant to proceed immediately and press to completion all of the improvements herein provided for, to operate its steam plant for stand-by service and to make the other necessary changes in its operating methods so as to accomplish this in the fullest sense. The order herein will authorize applicant to charge and collect immediately the necessary rate increases, and its obligation to its consumers will demand that it perform with due diligence all of its share of the work for which its consumers will then be paying. This commission is vitally concerned in this matter and desires to obtain the best results commensurate with the interests of both this utility and its consumers, and in ordering the consumers to carry the burden of additional rates, we shall expect that this utility will proceed at once and carry out its end of the bargain. Unless applicant herein shall so do, this commission will give immediate consideration to a modification of the following order:

ORDER.

Coast Valleys Gas and Electric Company having applied to the Railroad Commission for authority to increase its rates and charges for electricity, a public hearing having been held, the matter submitted and now ready for decision,

The Railroad Commission of the state of California hereby finds as a fact that the rates and charges for electricity of Coast Valleys Gas and Electric Company, as set forth in its schedules of rates and contracts on file with the Railroad Commission, are, under present conditions, insufficient to provide satisfactory electric service and inadequate in that they do not yield a sufficient return; and in so far as they differ from the rates herein established are not just, fair or reasonable rates. We further find as a fact that the electric rates herein established are, under present conditions, just and reasonable.

Based on the foregoing findings of fact and on the findings of fact contained in the opinion which precedes this order,

It is hereby ordered that Coast Valleys Gas and Electric Company be and is hereby authorized to charge and collect for electric energy, in

addition to the rates and charges set forth in its schedules of rates and contracts on file with the Railroad Commission, the following surcharges, to wit:

- For energy sold for lighting purposes, except for public outdoor lighting, $\frac{1}{2}$ cents per kilowatt hour.
- For energy sold for heating and cooking, $\frac{1}{2}$ cent per kilowatt hour.
- For energy sold for power purposes, including railway power, 20 per cent of monthly bills.
- For energy sold for public outdoor lighting purposes, 15 per cent of monthly bills.

Which surcharges shall be effective on all regular meter readings taken on and after the twentieth day of March, 1919.

Provided Coast Valleys Gas and Electric Company shall within ten days from the date of this order file with the Railroad Commission of the state of California an amended schedule of rates which shall set forth the surcharges herein authorized; and further provided Coast Valleys Gas and Electric Company shall designate on bills for electricity rendered its consumers the surcharges herein authorized,

It is hereby further ordered Coast Valleys Gas and Electric Company shall file with the Railroad Commission on or before the twentieth day of each month a statement of its electric revenues, operating expenses and capital expenditures for the preceding month and such other information as this commission shall hereafter designate.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twelfth day of March, 1919.

DECISION No. 6196.

IN THE MATTER OF THE APPLICATION OF THE WESTERN STATES GAS AND ELECTRIC COMPANY FOR A REVISION OF ITS SCHEDULES OF GAS RATES IN AND ABOUT THE CITY OF STOCKTON.

Application No. 3605.

IN THE MATTER OF THE APPLICATION OF THE WESTERN STATES GAS AND ELECTRIC COMPANY FOR AN ORDER INCREASING ITS ELECTRIC RATES IN ITS STOCKTON DIVISION.

Application No. 3962.

Decided March 13, 1919.

RETURN—RATE BASE.—Rates of applicant increased so as to enable it to earn 7.50 per cent on its figure of capital for depreciation and return, which net return is not deemed excessive or unreasonable under present conditions.

ELECTRIC RATES—MUNICIPAL LIGHTING.—Applicant requests that its rates for electric street lighting be permitted to remain as heretofore established, and

while such action is deemed reasonable in the present instance, it is held that rates to municipalities and other governmental bodies should at all times bear their just proportion of increased operating expenses. If a utility elects to grant a municipality a reduced rate, it must do so at its own expense and not expect the balance of its consumers to bear the additional burden.

Chickering & Gregory, by *Allen Chickering*, for Applicant.

Daniel V. Marceau, for the city of Stockton and the city of Placerville.

Lerinsky & Lerinsky, for the Stockton Electric Railroad Company.

DEVLIN, *Commissioner*.

OPINION ON SUPPLEMENTAL PETITIONS.

In the above-entitled proceedings, Western States Gas and Electric Company, hereinafter referred to as applicant, asks the commission for a revision of its gas and electric rates as established in Decisions No. 5485 in Application No. 3605, and No. 5889 in Application No. 3962, respectively.

Applicant is engaged in the generation, transmission and distribution of electricity in certain sections of central California, and in the production and distribution of gas in and about the city of Stockton, all included in its Stockton Division.

In Decision No. 5485, dated June 18, 1918, applicant herein was authorized to add to its gas rates a surcharge of 10 cents per thousand cubic feet, based upon conditions which could be reasonably anticipated to continue in effect in its gas business. In the supplemental petition herein, applicant alleges that it has been required to bear further increases in the cost of oil used in gas manufacture, and that the increased costs of labor and other items reflected in its operating expenses have since continued so that its present rates are now inadequate to provide it with a reasonable income or with a commensurate return.

In Decision No. 5889, dated November 4, 1918, applicant herein was authorized to charge and collect certain surcharges in addition to the electric rates fixed by its filed schedules and contracts. In the supplemental petition herein, applicant alleges that the surcharges authorized in Decision No. 5889 are insufficient to provide it with an adequate income and asks for further relief.

These two proceedings were consolidated for hearing, and evidence was submitted before the commission in San Francisco on December 20, 1918. The matters were then submitted and are now ready for decision. I shall consider separately applicant's gas and electric departments.

In the opinion in Decision No. 5485, Application No. 3605, we have set forth at some length the conditions surrounding applicant's gas business, and the decision at that time took into account all of the increased costs and expenses of operation to which applicant was subjected. Prior to October 1, 1918, applicant paid for oil used in gas

manufacture \$1.605 per barrel, at which time a one-year contract for oil at a price of \$1.75 per barrel was entered into. Applicant shows higher wages and salaries paid to its employees at the present time and which have been necessary since the date of the preceding order.

Applicant presents the following table of gas revenues and expenses for the year 1919. This is based upon serving approximately 9,684 consumers with 332,735 thousand cubic feet of gas. To supply this quantity of gas it would be necessary to manufacture from oil 204,484 thousand cubic feet, and to utilize 181,851 thousand cubic feet of natural gas from applicant's wells. The artificial gas to be produced will consume 41,035 barrels of oil at a cost of \$1.75 per barrel. The estimated revenue and expense incidental to this business, according to applicant, is as follows:

TABLE I.

Western States Gas and Electric Company—Stockton Division—Gas Department, Revenue and Expense, 1919.

Gas revenue (including present 10-cent surcharge)-----	\$348,115 00
Operating expenses:	
Oil for gas-----	\$71,810 00
Other production -----	43,926 00
Distribution -----	21,313 00
Commercial -----	12,092 00
General and miscellaneous-----	37,186 00
Taxes -----	30,641 00
Uncollectible bills -----	1,740 00
Total operating expense -----	218,708 00
Net income for depreciation and return-----	\$129,407 00

I believe applicant's figures of revenue and operating expenses are reasonable with this exception, that applicant's estimate of taxes, including as it does more than the normal prewar income and other federal taxes, is in excess of the proper amount to be included in operating expenses which applicant's ratepayers should be required to pay.

Applicant requests the commission to give further consideration to the question of allowance in rates of the extraordinary tax imposed as federal war taxes. It is vigorously urged by applicant that the rule previously declared by this commission in Decision 5889 in Application No. 3962, in which the Western States Gas and Electric Company was the applicant, should now be reconsidered and reversed. Counsel for applicant supplemented his oral argument on this point by statements and discussion of the question by two gentlemen very eminent in matters of utilities' regulation.

I am unconvinced, however, that the rule previously declared by this commission is not the proper one, and it appears to me that the objections urged thereto by counsel for the company and through the medium

of the statements referred to are arguments which might well have been urged before the federal law-making power as reasons for not imposing the tax rather than before this commission after the enactment of the law.

It appears to me, however, that the immediate concern of the commission in this regard is not whether congress acted wisely or unwisely in imposing the tax, but the inquiry is limited to what the law does declare. Unquestionably congress has the right to impose the tax in the manner expressed in the law, and obviously it is not within the province of this commission in fixing rates to defeat such declaration and purpose of the law itself. I am, therefore, of the opinion that the rule previously declared in Decision No. 5889 should be reaffirmed herein, and for that reason I have reduced applicant's item of taxes from \$30,641.00 to \$23,846.00. This modification will reduce applicant's figure of operating expense to \$211,913.00, and will increase the net income available for depreciation and return to \$136,202.00. This latter figure represents an annual rate of 7.01 per cent upon applicant's estimated capital of \$1,944,023.00 for depreciation and return.

Applicant has submitted certain figures purporting to show the capital invested in its gas properties. A careful examination of the appraisal supporting these figures clearly indicated that the unit costs used therein are high and that considerable property has been included which can not at the present time be classed as operative.

The engineers of the Railroad Commission report from an examination of these figures, that an appraisal based upon estimated historical reproduction cost of the plant and properties now used and useful in applicant's gas business, would show a result substantially less than set forth in applicant's exhibit, but that applicant's figures could not in any event be reduced by more than \$300,000.00. It would be manifestly unfair to both applicant and the public to use any figures other than those obtained from a careful inventory and appraisal of the property, but as will be shown later, applicant will not earn in excess of a reasonable return upon its submitted valuation reduced by as much as \$300,000.00. Therefore, in the absence of any exact appraisal of applicant's capital, I shall use the figures submitted by applicant only for the purpose of comparing its net income and return for the last four years.

The following table shows for the years ending December 31, 1915, 1916, 1917, and for the year ending October 31, 1918, gas revenue, operating expenses and net income of applicant's gas business, and also the average capital for each year as shown by applicant, together with the ratio of net earnings to these figures of capital. In this table, the gas revenue for the year ending October 31, 1918, includes the surcharge

of 10 cents per thousand cubic feet authorized in Decision No. 5485, which was in effect for the last five months of this period.

TABLE II.

Western States Gas and Electric Company—Stockton Division—Gas Earnings.

	Gross revenue	Operating expenses	Net income for depre- ciation and return	Average cap- ital shown by applicant	Ratio of net in- come to capital	cost of oil per bbl. Average
December 31, 1915.....	\$200,239 00	\$91,822 00	\$117,417 00	\$1,470,700 00	7.98%	\$0.735
December 31, 1916.....	227,575 00	103,571 00	124,004 00	1,588,709 00	7.81%	0.914
December 31, 1917.....	235,190 00	134,401 00	134,789 00	1,697,597 00	7.70%	1.208
October 31, 1918, including Holt Manufacturing Co.*..	328,163 00	194,259 00	131,904 00	1,812,182 00	7.28%	1.547
October 31, 1918, excluding Holt Manufacturing Co.*..	291,885 00	163,703 00	125,182 00	1,812,182 00	7.07%	1.547

*Revenue includes surcharge of 10 cents per thousand cubic feet authorized in Decision No. 5485 in effect for last five months of this period.

It will be seen from the above table that prior to January 1, 1918, applicant's net revenue was between 7.70 per cent and 7.98 per cent of its own figures of capital, and that for the year ending October 31, 1918, its returns have been 7.07 per cent of its capital for that year, if the abnormal use of gas in war industries be excluded, and 7.28 per cent of capital if the revenue and expenses of such abnormal use be included.

It has been shown above that if the present gas rates and surcharges be continued throughout the year 1919, the net income for the year amounting to \$136,202.00 is but 7.01 per cent of applicant's estimated capital of \$1,944,023.00 for the year. It would thus appear that applicant is entitled to some further additional income in order to offset the increased cost of oil and labor to re-establish the earnings which it enjoyed in the past. It must be considered that the net return after deducting a fair allowance for depreciation would be but slightly in excess of 5 per cent. I believe it is proper to allow applicant sufficient increase in gas rates at this time to enable it to earn 7.80 per cent of its own figure of capital for depreciation and return. This is an average of the returns accruing to applicant prior to January 1, 1918. This will necessitate a further raise in applicant's gas rates of 5 cents per thousand cubic feet, and will increase applicant's revenue for the year 1919 from \$348,115.00 to \$364,752.00. Making due allowance for the increase in taxes properly chargeable to operation, which will follow, applicant's net income for depreciation and return will then be increased to \$151,615.00, which is 7.80 per cent of \$1,944,023.00, applicant's reported average capital for 1919.

In order to be satisfied that this proposed increase in gas rates will not produce too great a return to applicant, I submit that if applicant's figures of capital are as much as \$300,000.00 in excess of a reasonable

rate base, that the above net income of \$151,615.00 from the proposed rate increase will yield a return of 9.22 per cent for depreciation and return upon the reduced figure of \$1,640,000.00 for capital. In reducing applicant's figure of capital to this extent, I believe the lesser amount can be safely considered as a minimum estimate of applicant's gas capital. A reasonable annual allowance for depreciation upon applicant's property would be at least 2 per cent, so that the proposed increased rates will return to applicant 7.22 per cent upon \$1,640,000.00, which, so far as I can determine, is the minimum rate base to be used in connection with applicant's gas properties. It is sufficient to note that a net return of 7.22 per cent is in no sense excessive or unreasonable.

The increases authorized in Decision No. 5485 took the form of a surcharge, which implies a temporary adjustment of rates. I believe that the conditions under which applicant is now operating, as regards the costs of labor and material entering into its business, are of a sufficiently permanent character to warrant a permanent modification of its rates for gas, and I deem it proper at this time to remove the surcharge authorized in Decision No. 5485 and to permit applicant to add to its former gas rates a permanent increase of 15 cents per thousand cubic feet and to increase its minimum monthly charge from 50 cents to 75 cents per meter. The rates set forth in the order herein will be of such form as to effect these changes. It is understood, of course, that the term "permanent" is used only to distinguish from the present surcharge form of rate, and does not imply that the gas rates herein established can not be again adjusted at some future time by this commission.

I shall now turn to applicant's electric operations. In Decision No. 5889, Application No. 3962, this commission based its findings and authorized certain electric rate increases to applicant entirely upon the showing which was made at that time. It now appears that applicant was somewhat optimistic in its estimate of electric revenue for the year ending June 30, 1919, and at the same time had placed much weight upon the probable growth of its business. Applicant's original estimate of its revenues and expenses for the year ending June 30, 1919, were prepared prior to August, 1918. The results of applicant's electric operations from July 1, 1918, to November 30, 1918, clearly indicate that its previous estimate of sales and revenue were excessive. Applicant now shows that for the year ending June 30, 1919, its sales of electric energy will aggregate 48,349,500 kilowatt hours, which is 2,948,360 kilowatt hours less than heretofore submitted, and that its revenue corresponding, will be \$888,723.00 for the year, instead of \$944,181.00, previously estimated, both figures exclusive of surcharge. This reduction in sales will entail a corresponding reduction in the amount of power purchased by applicant from the several electric

utilities supplying it, which will likewise reduce its operating expense. In all other respects the expenses set forth in Decision No. 5889 for this period remain unchanged.

The following table shows the revenue and operating expenses of applicant's electric department as used in Decision No. 5889, and as revised herein, taking into account the changes in revenue and expenses set forth above. In this table the additional revenue to be obtained from the surcharges already in effect is included.

TABLE III.

Western States Gas and Electric Company—Stockton Division—Electric Earnings and Expenses.

	Used in Decision No. 5889	As revised herein
Revenue:		
From rate schedules	\$944,181 00	\$888,723 00
From surcharges authorized in Decision No. 5889	68,925 00	64,683 00
Total revenue	\$1,013,106 00	\$953,406 00
Operating expenses:		
Production	\$347,988 00	\$326,739 00
Transmission	25,679 00	25,679 00
Distribution	46,850 00	46,850 00
Commercial	24,518 00	24,518 00
General and miscellaneous and insurance	99,851 00	99,851 00
Taxes	67,220 00	63,258 00
Uncollectible accounts	5,066 00	4,767 00
Total expenses	\$617,172 00	\$591,662 00
Net for depreciation and return	\$395,934 00	\$361,744 00

It now appears that for the year ending June 30, 1919, applicant's electric revenue, based upon existing contracts and rate schedules as modified by the surcharges in Decision No. 5889, will produce a net income available for depreciation and return of \$361,744.00 after the deduction of all proper operating expenses, including that portion of normal prewar income and other federal taxes assessable against its consumers.

In the previous decision, No. 5889, in this same matter, we have set forth at some length that, based upon past years' operations, applicant's electric business is entitled to earn, and can earn without any undue burden to its consumers, a net income aggregating 10.25 per cent of its own figures of capital for depreciation and return. This condition is there reviewed at some length, and I see no reason at this time for departing from this standard. On the basis of the valuation previously submitted, applicant's average electric capital for the period herein

considered amounts to \$3,760,000.00, and a net income of 10.25 per cent of this for depreciation and return would call for \$385,400.00, after the deduction of all operating expenses and normal taxes. The rates and surcharges now in effect, after the deduction of all operating expenses, produce a net of \$361,744.00, and in order to preserve the past ratio of earnings to capital, which is not unreasonable or excessive, I am of the opinion that applicant's rates should be subject to some slight adjustment upward. This can be most easily accomplished, without disturbing existing rate structures, by changes in some of the surcharges heretofore authorized.

Decision No. 5889 authorized the following surcharges:

For energy sold for domestic, commercial and municipal metered lighting service, other than street lighting, 5 mills per kilowatt hour.

For flat rate lighting service, other than street lighting, 5 per cent of monthly bill.

For energy sold for power service, 1 mill per kilowatt hour.

For energy sold for electric railway service and to other electric utilities, for resale, $\frac{1}{2}$ mill per kilowatt hour.

I deem it proper at this time to make the following changes in these surcharges:

To increase the surcharge on flat rate commercial lighting from 5 per cent to 10 per cent to the monthly bill.

To increase the surcharge for energy sold for power service from 1 mill per kilowatt hour to $1\frac{1}{2}$ mills per kilowatt hour.

To increase the surcharge on railway power and for energy sold other utilities for resale, from $\frac{1}{2}$ mill per kilowatt hour to 1 mill per kilowatt hour.

To increase municipal street lighting rates by 10 per cent of the monthly bill, not heretofore affected.

In its original petition herein, applicant specifically requested that its rates for municipal street lighting be exempted from any increase in rates, and, in our judgment, it was not necessary at the time of the original order herein to modify such municipal street lighting rates. At the present time, however, it is necessary and proper that the municipalities using applicant's service for street lighting should bear their proper portion of the increase in operating expenses to which applicant's operations have been subject. This has been cared for in the present instance by an increase of 10 per cent of the monthly bills for municipal street lighting service.

As provided for in section No. 5 of General Order No. 45 of this commission, applicant may grant free or reduced rates to municipalities and other governmental bodies, and if applicant so desires it is free to thus reduce its rates for street lighting so that the additional 10 per cent herein authorized will not increase its charges for municipal street lighting service. If applicant elects not to charge this additional 10 per cent for municipal street lighting service, it must do so at its own loss, and in any rate-fixing proceeding hereafter, we shall require applicant

to show as its revenue from this source, not the amounts which it may collect under such reduced rates, but the proper amounts which would result from the addition of this 10 per cent surcharge. In other words, if applicant elects to carry the burden instead of placing it upon its municipal street lighting consumers where it belongs, it will do so at its own loss and will not be entitled before this commission to claim an insufficiency of revenue by so doing.

If the above changes be made, applicant's net income will be brought up to the amount which we have shown it is entitled to earn, and the increases thus proposed can not in any sense be considered burdensome to its consumers.

If the surcharges authorized in Decision No. 5889 and now in effect be discontinued, and in lieu thereof applicant be authorized to impose the surcharges set forth in the order herein, applicant's electric revenues will be increased to \$978,594.00, its expenses will be increased to \$593,460.00, and the net income for interest and depreciation will be \$385,134.00 per annum, which is slightly less than 10.25 per cent for interest and depreciation upon the stated average capital of \$3,760,000.

I submit the following form of order:

ORDER.

Western States Gas and Electric Company having applied to the Railroad Commission for a modification of its gas rates as established in Decision No. 5485, and for a modification of its electric rates as established in Decision No. 5889, a hearing having been held, the matters submitted and being now ready for decision, the Railroad Commission of the state of California hereby finds as a fact that the gas rates established in Decision No. 5485 and the electric rates established in Decision No. 5889 are, under present conditions inadequate, and in so far as they differ from the rates herein established, are not fair or reasonable rates, and that the rates and charges for gas and electricity herein established are just and reasonable rates.

Basing its order upon the foregoing findings of fact and upon the other findings of fact contained in the opinion which precedes this order,

It is hereby ordered that the surcharge of 10 cents per thousand cubic feet authorized Western States Gas and Electric Company in Decision No. 5485 on its gas rates be and the same is hereby discontinued for all meter readings taken on and after the twentieth day of March, 1919.

It is further ordered that Western States Gas and Electric Company charge and collect for gas sold in its Stockton Division, for all meter readings taken on and after the twentieth day of March, 1919, in accordance with the following schedule of gas rates:

Western States Gas and Electric Company--Stockton Division--Lighting, Heating and Cooking Rate, Stockton and Suburbs.

	Gross per M. cubic feet	Net per M. cubic feet
For the first 25,000 cubic feet per month	\$1.15	\$1.10
For the next 25,000 cubic feet per month	1.05	1.00
For the next 25,000 cubic feet per month	.95	.95
For the next 25,000 cubic feet per month	.85	.85
For the next 25,000 cubic feet per month	.75	.75
For all over 125,000 cubic feet per month	.70	.70
Minimum monthly charge per meter	.75	.70

Discount: The net charge applies if the bill is paid within ten days of date of bill.

It is hereby further ordered that the surcharges authorized Western States Gas and Electric Company in Decision No. 5889 on its electric rates be, and the same are hereby discontinued for all meter readings taken on and after the twentieth day of March, 1919.

It is hereby further ordered that Western States Gas and Electric Company be and is hereby authorized to charge and collect for electricity sold in its Stockton Division, in addition to the charges fixed by its rate schedules and contracts on file with the Railroad Commission of the state of California, the following surcharges, to wit:

- For energy sold for domestic, commercial and municipal metered lighting service, other than street lighting, 5 mills per kilowatt hour.
- For flat rate lighting service, other than street lighting, 10 per cent of monthly bill.
- For energy sold for power service and for heating and cooking, 1½ mills per kilowatt hour.
- For energy sold for electric railway service and to other electric utilities and municipalities for resale, 1 mill per kilowatt hour.
- For municipal street lighting service, 10 per cent of monthly bill.

Which surcharges shall apply on all meter readings taken on and after the twentieth day of March, 1919.

Provided Western States Gas and Electric Company shall within ten days of the date of this order file with the Railroad Commission of the state of California the gas rates herein established and an amended schedule of electric rates which shall set forth the surcharges herein authorized; and further provided that Western States Gas and Electric Company shall designate separately on bills rendered its consumers of electricity in its Stockton Division the surcharges herein authorized.

It is further ordered that Western States Gas and Electric Company shall file with the Railroad Commission on or before the twentieth day of each month a statement of its gas and electric revenues, operating expenses and additions to capital for the preceding month, and such other information as the Railroad Commission may hereafter designate.

The foregoing opinion and order are hereby approved and ordered

filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this thirteenth day of March, 1919.

DECISION NO. 6197.

IN THE MATTER OF THE APPLICATION OF LASSEN ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF A NOTE FOR EIGHT THOUSAND FIVE HUNDRED DOLLARS, AND THE EXECUTION OF A MORTGAGE.

Application No. 4432.

Decided March 15, 1919.

MARTIN, *Commissioner*.

OPINION.

Lassen Electric Company asks authority to issue a one-day 7 per cent note to Bank of Lassen County for the sum of \$8,500.00, and execute a mortgage to secure the payment of the note.

Pursuant to the authority granted in Decision No. 2215, dated March 12, 1915 (Vol. 6, Opinions and Orders of the Railroad Commission of California, p. 352), applicant reports that on March 14, 1915, it issued to Bank of Lassen County its one-day 7 per cent note for \$9,500.00. It has paid \$1,000.00 on account, leaving a balance of \$8,500.00 due. The bank is willing to accept a new note for the \$8,500.00.

On December 31, 1918, applicant reported a total indebtedness of \$21,606.62. Applicant's annual report shows that its earnings in 1918, available to pay interest, were more than twice the interest charges on its indebtedness.

Attached to the petition herein is a copy of applicant's proposed mortgage. The mortgage is of the usual form and covers all of the applicant's property now owned or hereafter acquired.

I herewith submit the following form of order:

ORDER.

Lassen Electric Company having applied to the Railroad Commission for authority to issue a note and execute a mortgage, a public hearing having been held and the commission being of the opinion that the money to be procured by the issue of the note herein authorized is reasonably required for the purpose specified, and that the expenditures for such purpose are not reasonably chargeable to operating expenses or to income,

It is hereby ordered that Lassen Electric Company be and it is hereby granted authority to issue its one-day 7 per cent note for the principal sum of \$8,500.00, and execute mortgage, substantially in the same form as the mortgage attached to the petition herein, for the purpose of securing the payment of said note.

The authority herein granted is upon the following conditions and none other:

(1) The note herein authorized shall be issued for the purpose of refunding the balance, \$8,500.00, due on the note issued on March 14, 1915, to Bank of Lassen County.

(2) The approval herein given of said mortgage is for the purpose of this proceeding only, and an approval in so far as this commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject.

(3) Applicant shall report to the commission within sixty days after the date hereof, that the note herein authorized has been issued, and that the note to be refunded has been canceled.

(4) The authority herein granted shall apply only to such note as may be issued and to such mortgage as may be executed within sixty days after the date hereof.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this fifteenth day of March, 1919.

DECISION No. 6201.

W. ELLIOTT JUDGE.

vs.

COUNTY OF CONTRA COSTA AND THE OAKLAND, ANTIOCH AND
EASTERN RAILWAY.

Case No. 1287.

COWELL-PORTLAND CEMENT COMPANY.

vs.

COUNTY OF CONTRA COSTA AND THE OAKLAND, ANTIOCH AND
EASTERN RAILWAY.

Case No. 1291.

Decided March 17, 1919.

GRADE CROSSINGS -REDUCTION OF. It is the policy of the commission not only to prevent the construction of new grade crossings that are not necessary, but to have closed such existing crossings, the use of which is not necessary to public

convenience. Defendant granted permission to close a public highway crossing over its line of railroad in Contra Costa County.

W. Elliott Judge, in propria persona.

R. B. Mitchell, for Cowell-Portland Cement Company.

L. F. Tormey, for county of Contra Costa.

Jesse H. Steinhart, for Oakland, Antioch and Eastern Railway.

MARTIN and LOVELAND, *Commissioners.*

OPINION.

In connection with the state-wide grade crossing survey of the engineering department of this commission, Report No. 131, covering the crossings on the Oakland, Antioch and Eastern Railway between Walnut Creek and Concord, Contra Costa County, was forwarded to the supervisors of Contra Costa County in January, 1917. In this report the engineering department of the commission recommended that, as soon as the proposed concrete highway was constructed along the west side of the railroad from the vicinity of Concord Cemetery north toward Concord, the crossing of the macadamized county road at Concord Cemetery be abandoned by the county and closed to public travel. At the time this report was made the county road crossed the railroad at this point and recrossed the railroad about one-half of a mile further north near the junction with the road to Cowell. On October 21, 1918, the board of supervisors of Contra Costa County, after the receipt of numerous requests from the Oakland, Antioch and Eastern Railway and numerous inquiries from the engineering department of this commission, passed an order declaring the crossing closed and authorized the Oakland, Antioch and Eastern Railway to construct fences across the roadway at the right of way lines of the railroad.

The closing of the crossing must have been completed shortly after this date, as on November 26, 1918, an informal complaint (No. 15359) against the closing of the crossing was filed by W. Elliott Judge, of 24 California street, San Francisco, who owns a ranch adjacent to the new county highway and the abandoned crossing, the ranch being divided into two parts by the right of way of the railroad company. In answer to this informal complaint the railroad company offered no objections to the opening of a private crossing with gates, at this point, in place of the abandoned crossing. In this state, a large majority of the ranches which lie on two sides of the railroad right of way are equipped with this type of crossing. However, this construction was unsatisfactory to Mr. Judge, and, on January 9, 1919, a formal complaint was filed by him and assigned as Case No. 1287. On January 27, the Cowell-Portland Cement Company also filed a formal complaint against the closing of this crossing. This complaint was assigned as Case No. 1291.

The proceedings in these two cases were combined and a public hearing was held on Friday, February 28, at Martinez, at which all interested parties were represented.

In his formal complaint Mr. Judge alleges that the closing of this crossing has divided his ranch into two portions; that he is unable to reach one portion of the ranch from the other without going one-half of a mile north to the crossing near the junction with the road to Cowell and then back one-half of a mile along the new concrete highway, parallel to the old road, but on the opposite side of the railroad right of way to the westerly portion of his ranch and vice versa.

In his formal complaint Mr. Judge claims that he is denied access not only to the new concrete highway but also to any county road. He also claims that he is now denied the privilege of rural free delivery of mail, because the carrier refuses to climb the fences at the former crossing. Likewise, he also claims that Concord tradespeople refuse to deliver goods for the same reason, and that friends and others can not visit the ranch without much inconvenience and trespassing on private property.

Mr. Judge also submitted in evidence a letter written to him by the county surveyor of Contra Costa County, in which it is stated that the county intended to abandon the crossing in question at the cemetery and also the crossing one-half of a mile further north, near the junction of the old county road with the road to Cowell. He also real resolutions passed by the chamber of commerce of Concord, condemning the closing of the crossings and petitioning this commission to allow them to remain open. These resolutions were passed by the chamber of commerce, after the above-mentioned letter was brought to their attention by Mr. Judge.

The complaint of the Cowell-Portland Cement Company covers the same crossing at the cemetery. The Cowell company claims that the closing of this crossing has closed to the complainant, its employees and the people of the town of Cowell an easy method of reaching the road to the town of Cowell. They claim that it is contemplated, in case this crossing is reopened, that a road be built from the crossing easterly along the northerly fence line of the Judge property to a junction with the present Cowell road.

At the hearing, the evidence introduced showed that the county has no intention of fencing or closing the crossing near the junction with the present road to Cowell, although it has been abandoned. Such being the case, this crossing will be more convenient to the Cowell people than the crossing they desire reopened. It was also stated that the proposed road above mentioned was merely proposed and would probably not be built if the crossing at the junction remained open to travel. The complaint of the Cowell people is thus definitely settled and shows no

necessity for reopening the crossing at the cemetery, for their convenience.

F. C. Gilando, owning land on the east side of the railroad between these two crossings, withdrew his objections to the closing of the crossing at the cemetery, when he learned that the crossing one-half of a mile north was to remain open and that he would be allowed a private crossing with gates, from his land to the new county highway, by the railroad. This crossing is of the same type as that offered originally to Mr. Judge by the Oakland, Antioch and Eastern Railway.

Further study of the evidence shows that Mr. Judge will still have an open road as an outlet to Concord; that the closing of the crossing at the cemetery will not greatly inconvenience him, or the people living on his ranch, provided that the crossing is equipped with gates similar to those of other ranches.

The closing of the crossing will not interfere with the delivery of mail or merchandise to Mr. Judge's ranch, providing that he place a letter box and merchandise box on the new highway. These boxes can be reached from the house by placing a three-foot picket gate in each railway right of way fence, in addition to the regular farm gates.

The evidence further shows that the closing of this crossing will not be an inconvenience to the general public, as practically all public travel has been removed therefrom and routed over the new concrete highway. The closing of the crossing is clearly in the interest of public safety.

It has been the policy of this commission in the past to refuse to grant permission to construct new grade crossings unless public necessity demanded such crossings, and it has been its policy to discontinue the use of such crossings as are no longer needed by the traveling public. Often, in such cases, a few people are inconvenienced, but this is true in practically every public improvement where the convenience of the few is sacrificed for the welfare of the many.

A case very similar to this occurred at Ohmer (Decision No. 6033), not far from Concord, on this same railway. Here the old county road, which crossed the railway twice, was abandoned in favor of the new concrete highway with no crossings, and under application from the county this commission, after a public hearing, ordered both public crossings converted into private crossings with gates.

In view of the foregoing, we recommend the following form of order:

ORDER.

W. Elliott Judge and Cowell-Portland Cement Company having complained to the commission concerning the closing of the public crossing on the old county road, over the tracks of the Oakland, Antioch and Eastern Railway, near the Concord Cemetery; a public hearing

having been held at which all interested parties were represented and the commission having been fully apprised in the premises.

It is hereby ordered (1) that the Oakland, Antioch and Eastern Railway and the county of Contra Costa be and the same are hereby granted permission to close the crossing above mentioned to public travel, but that the same be equipped as a private crossing with farm gates, for the use of W. Elliott Judge, and, in addition, said crossing shall be equipped with two picket or other gates about three feet wide, well hung, for the use of pedestrians desiring to reach the Judge ranch house from the new county highway at this point.

(2) The expense of installing the necessary fences and gates shall be borne by the Oakland, Antioch and Eastern Railway.

(3) The commission reserves the right to make such further orders relative to the location, construction, operation, maintenance and protection of said crossing as to it may seem right and proper.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this seventeenth day of March, 1919.

DECISION No. 6209.

IN THE MATTER OF THE APPLICATIONS OF AMERICAN WAREHOUSE, A COPARTNERSHIP, LOS ANGELES WAREHOUSE COMPANY, A CORPORATION, PACIFIC COMMERCIAL WAREHOUSE, INC., A CORPORATION, SANTA FE WAREHOUSE COMPANY, A CORPORATION, SHATTUCK & NIMMO WAREHOUSE COMPANY, A CORPORATION, AND SUNSET TERMINAL WAREHOUSE COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING AN INCREASE IN WAREHOUSE RATES AND CHANGE OF RULES AND REGULATIONS.

Applications Nos. 4331, 4332, 4333, 4334, 4335 and 4336.

Decided March 22, 1919.

TARIFFS—WAREHOUSES.—Tariffs filed by warehouse companies should be specific in listing the various commodities received by the utility for storage and should show the exact rates assessed against each of them so that there will be no misunderstanding between the utility and its patrons. Increases authorized in storage rates on all commodities except grains.

Ingall W. Bull, for Applicants.

Davis Smith, for Motor Car Dealers' Association.

G. W. Howard, for Los Angeles Grain Exchange.

BRUNDIGE, Commissioner.

OPINION.

American Warehouse, a copartnership, Los Angeles Warehouse Company, a corporation, Pacific Commercial Warehouse, Inc., a corporation, Santa Fe Warehouse Company, a corporation, Shattuck &

Nimmo Warehouse Company, a corporation, and Sunset Terminal Warehouse Company, a corporation, each engaged as a public utility in the operation of warehouses located in the city of Los Angeles, have applied to the Railroad Commission for authority to establish uniform rules and regulations and to collect warehouse rates in accordance with a schedule submitted with the applications and designated Warehouse Tariff No. 1, the same, if authorized, to supersede and cancel all schedules and supplements now on file by the several petitioners. Rates at present in effect by applicants vary not only in amount, but also in many instances differ as to the basis upon which the charge is computed. In most cases, schedules of applicants now on file are those presented in 1912 upon request of the commission, but before its jurisdiction extended to warehouses operated within certain municipalities, including the city of Los Angeles. With two exceptions, no rules or regulations have been filed or published and the proposed rules and regulations are, in such instances, merely an embodiment in printed terms of the actual practices now prevailing; in the two instances where rules and regulations are now on file, the proposed variations are slight and designed to remove ambiguities and promote a better understanding of the schedule. Rules relating to charges for service carry changes reflecting the increased cost of operation.

Applicants allege generally that the rules and rates now assessed are inadequate and that the tariff proposed and referred to in applications as Exhibit A is "a fair, reasonable, equitable and just schedule of rates." A financial statement accompanies each application, which concludes with a prayer for the establishment of rates, rules and regulations in conformity with said Exhibit A.

The proposed tariff is very complete in its arrangement, segregates the commodities into a great number of items, establishes graded rates and, in a general way, corresponds to the schedule now in effect in San Francisco, which is based largely upon a storage revenue of 25 cents per ton per month, the chief exception being that the labor charges will approximate 25 cents per ton against San Francisco of 54 cents per ton. Storage rates on some of the principal commodities will be increased from 25 per cent to 50 per cent, while the percentage of increase for handling the same class of merchandise into and from warehouses would range somewhat higher, subject, however, in the majority of cases, to a maximum charge of 25 cents per ton. Other classes of service would, under the proposed schedule, take the following rates, applicable to merchandise not otherwise specified in the tariff:

Weighing—35 cents per ton, with a minimum charge of 15 cents.

Loading cars:

Packages weighing 150 pounds each, or less, 30 cents per ton of 2,000 pounds.

Packages weighing over 150 pounds each, 40 cents per ton of 2,000 pounds.

Iron, lumber and machinery, 75 cents per hour per man.

Unloading cars:

Packages weighing 150 pounds each, or less, 25 cents per ton of 2,000 pounds.

Packages weighing over 150 pounds each, 35 cents per ton of 2,000 pounds.

Iron, lumber and machinery, 75 cents per hour per man.

Special service of any description, not otherwise provided for, 75 cents per hour per man.

Space rental—ranging from 6 cents per square foot per month for 250 square feet or less, with a minimum of \$3.00 per month, to 3 cents per square foot per month for 3,000 square feet or over, with a minimum of \$100.00 per month.

These applications were heard in Los Angeles on February 5, 1919, after special notice to all patrons of applicants' warehouses and a publication in one of the local daily newspapers; but with two exceptions—one a representative of the Motor Car Dealers' Association of Los Angeles and the other representing the Los Angeles Grain Exchange—no one appeared at the hearing to protest the proposed increases. In the case of the motor car dealers the objection interposed was not directed toward the amount of the proposed increases, but rather to an apparent discrimination as to the classes of automobiles offered for storage. The testimony shows, however, that while certain types of machines would, under the proposed schedule, carry a higher percentage of increase than other types, some types enjoy very low rates under the current tariffs. As to the objection raised by grain merchants, that part of the petition protested was, upon motion of applicants' attorney, withdrawn, to be later presented in an amended form.

Several of the applicants are engaged in other lines of business more or less connected with warehousing, but technically outside the purview of the Public Utilities Act, and in such instances the accounts of revenues and expenses have not been kept in a manner to insure an accurate financial showing as to the public utility business; nor was it practicable to give a reliable forecast as to the actual effect of the proposed increases. An approximation made by some of applicants' witnesses indicated an additional gross income of from 20 per cent to 25 per cent under the increases requested, but actual experience, because of the more complete classification of the commodities, will be required for a proper demonstration of the effect of the proposed tariff changes.

Subsequent to the hearing statements were submitted by the various applicants showing operating results for the years 1915-16-17-18, and also individual estimates as to the probable percentage of gross revenue which the proposed rates would return over the schedules now in effect.

Following is a summary of these statements:

Net Earnings.					
	1915	1916	1917	1918	Estimated increase in gross revenue under proposed rate
American Warehouse		\$1,819 13	\$2,775 16	\$2,206 54	
Los Angeles Warehouse Company	\$15,982 73	13,760 67	21,498 02	33,163 86	
Pacific Commercial Warehouse, Inc.		*3,287 68	6,811 49	7,241 99	10%
Santa Fe Warehouse Co.	24,856 05	20,443 05	29,805 41	31,440 25	10%
Shattuck & Nimmo Warehouse Company	4,306 73	1,572 24	3,068 88	3,274 42	20%
Sunset Terminal Warehouse Company	11,042 21	14,247 35	24,946 49	19,421 84	25%

*Loss.

The above figures, although taken from applicants' records, fail to portray the true financial situation with reference to public utility business, for the reason that segregations of overhead expenses from other nonutility business has not been practicable under the system of accounting now in vogue.

The testimony shows that warehouse employees who in 1916 were paid \$2.25 for nine hours' work now receive \$3.50 for an eight-hour day and from \$4.00 to \$4.50 for a nine-hour day. In other cases the hourly wage of 20 to 25 cents paid in 1916 has been advanced 40 to 50 cents—a total increase of 100 per cent. The comparative inefficiency of warehouse labor obtainable in 1918 is, also, according to the testimony, an indisputable fact. Other operating expenses, such as elevator inspection, compensation insurance, light and power, and repair materials, have increased to an unusual figure, the price of certain essential warehouse equipment having almost doubled. Although the volume of warehouse business in Los Angeles for the year ending December 31, 1918, was admittedly greater than ever before, it was obviously abnormal, and may not be safely depended upon for the future; the increased cost of operating, however, will not subside abruptly, if at all.

The testimony further shows that in the majority of cases tariffs filed in this office do not represent the true situation, either with reference to commodities stored, rates charged or regulations enforced; schedules originally published in 1912 were themselves defective, some having

been presented in letter form, embracing only a few items, new commodities being accepted later and covered as far as possible by analogy, but without properly reissuing or supplementing the schedules, as the law contemplates. This situation was brought about by the fact that at the time applicants' rates were filed in 1912 the commission had no jurisdiction to regulate the same.

No evidence whatsoever, either written or oral, except to the extent hereinbefore mentioned, was presented in opposition, and it is found necessary either to accept the testimony offered or to set the matter for further hearing with the view of having the commission on its own initiative determine the correctness of the evidence presented. This course does not seem advisable in the present situation. It would be more consistent to assume that the patrons of these utilities have, by their failure to appear, acknowledged the justice of the warehousemen's claims and tacitly agreed to the rates, rules and regulations set out in the proposed schedules. Should the increase be authorized the public will be fully protected by reason of the fact that the rates are subject to complaint at any time by interested parties and if upon formal investigation they are proven unjust or unreasonable, adjustments will be made in the usual manner.

I am of the opinion that the increased operating expenses and the other conditions set forth justify a readjustment in the warehouse rates and also in the rules and regulations. The tariffs of these applicants were filed in the year 1912 and while they have been supplemented from time to time have never reflected the actual rates being assessed. In most of the tariffs in this office only a limited number of commodities are set forth and the charges upon other commodities placed in storage have been applied by analogy to a commodity on which a rate is quoted. The proposed tariff is logically constructed and carries a segregation of commodities covering practically everything placed on storage with a specific storage and labor charge for the service performed.

The whole condition of the warehouse business will be improved by the new system of rates, making it possible for a storer to arrive at the charges against any given commodity, which is not possible under the tariffs now in effect. While the warehousemen may have made an effort to publish their rates in compliance with the Public Utilities Act, they fail to keep within the law while continuing to operate under tariffs which do not set forth in an understandable manner the exact charges legally applicable.

Applicants should be authorized to establish the rates, rules and regulations as shown in Exhibit A attached to and made a part of the application, with the exception of rates applying to grain.

I recommend the following form of order :

ORDER.

American Warehouse, a copartnership, Los Angeles Warehouse Company, Pacific Commercial Warehouse, Inc., Santa Fe Warehouse Company, Shattuck & Nimmo Warehouse Company and Sunset Terminal Warehouse Company, having applied to the Railroad Commission for authority to increase warehouse rates covering the storage and incidental handling of merchandise deposited in applicants' warehouses located in the city of Los Angeles, and also to alter and establish rules and regulations pertaining to the warehouse service; a public hearing having been held, the matter having been submitted and being now ready for decision,

The Railroad Commission hereby finds as a fact that the rates, rules and regulations now in effect at the various warehouses involved in this proceeding, in so far as they differ from the schedule herein established, are unremunerative, unjust and unreasonable, and that the rates, rules and regulations established by this order are just and reasonable for the service.

Basing its order upon the foregoing finding of fact and upon other findings contained in the opinion preceding this order,

It is hereby ordered that American Warehouse, a copartnership, Los Angeles Warehouse Company, Pacific Commercial Warehouse, Inc., Santa Fe Warehouse Company, Shattuck & Nimmo Warehouse and Sunset Terminal Company be and they are hereby authorized to publish and file with the Railroad Commission not later than twenty (20) days from date hereof, and thereafter collect the rates at all warehouses operated by applicants in the city of Los Angeles and enforce the rules and regulations set forth in Exhibit A accompanying the application, with the exception that rates, rules and regulations applying to the storage and handling of grain shall remain as at present in effect, until otherwise ordered by the commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-second day of March, 1919.

DECISION No. 6213.

IN THE MATTER OF THE APPLICATION OF IRA A. MOOMAW FOR
AUTHORITY TO INCREASE RATES FOR SERVICE OF IRRIGATION
WATER, AND FOR THE VALIDATION OF A MORTGAGE.

Application No. 4323.

Decided March 22, 1919.

NOTES—MORTGAGE—ILLEGALLY ISSUED.—Notes and mortgage inadvertently executed by a public utility without the authorization of this commission are void and can not subsequently be approved by the commission but must be replaced by issues properly authorized. Execution of mortgage and issuance of note in the sum of \$2,000.00 by applicant, authorized.

Ira A. Moomaw, in propria persona.

MARTIN, *Commissioner.*

OPINION.

This is an application for authority to increase rates charged for water used for irrigation purposes and for the validation of a mortgage.

The application alleges in effect that applicant owns and operates a public utility irrigation system in the vicinity of Inglewood, Los Angeles County; that the cost of operation has so increased that the rate schedule in effect is not remunerative, and asks that a fair and remunerative rate schedule be established.

The rates now in effect are as follows:

For all crops except alfalfa, \$2.00 per hour's operation of pump during the day and \$1.80 per hour's operation of pump at night.

For alfalfa, \$1.80 per hour's operation of pump during the day and \$1.00 per hour's operation at night.

Two per cent discount is made if the account is paid before the first of each month.

Applicant asks to be permitted to increase each of the above rates 20 cents per hour's operation of the pump.

The system is now supplying water for the irrigation of approximately 425 acres of land in the vicinity of Inglewood. Water is pumped from two wells by an electrically-driven centrifugal pump into a concrete sand-box from which it flows into a distribution system consisting of 14-inch and 16-inch pipes. The present owner of the system, who is the applicant herein, purchased it on January 1, 1917, for \$4,000.00, paying therefor by issuing a \$4,000.00 note secured by a mortgage in favor of Lottie E. Neher.

The evidence shows that the original cost of construction of this system approximately \$10,000.00, although no details of this expenditure are available. The commission's engineers reported an estimated cost

new of \$12,022.00 and a 6 per cent sinking fund annuity of \$171.00. As has been stated, the cost of the plant to applicant was \$4,000.00. Subsequent to the purchase by applicant of this plant, \$214.00 was expended in extensions to pipe lines.

The records show the cost of maintenance and operation for 1918 to be as follows:

Electric power	\$1,637 50
Miscellaneous repairs and materials.....	188 27
Total	<u>\$1,825 77</u>

The labor of operating the plant has been performed by applicant personally and no sum has been included in the above maintenance and operation expense for this labor. The power rate has been increased 20 per cent, which increase is not included in the amount set out above for power. The corrected maintenance and operation expense, including an allowance of \$50.00 per month for labor, is as follows:

Electric power	\$1,964 00
Miscellaneous repairs and materials.....	188 00
Operating labor	600 00
Total.....	<u>\$2,752 00</u>

If we assume that the fair value of the system is as estimated by the commission's engineers, and include interest on this amount in the annual charges, we arrive at the following amounts:

Maintenance and operation expense.....	\$2,752 00
Depreciation annuity	171 00
Interest on \$12,022.00 at 8 per cent.....	962 00
Total	<u>\$3,885 00</u>

The pumping plant was operated 2,083 hours during 1918, from which operation a gross revenue of \$3,936.49 was received.

It is apparent that the rate schedule now in effect will produce at least a fair compensation to applicant for the service rendered by him, and I recommend that the application be denied in so far as it relates to rates.

Ira A. Moomaw reports that on January 1, 1917, he executed a mortgage covering his water plant, to Lottie E. Neher, to secure the payment of a \$4,000.00 7 per cent four-year note. The note was issued in payment for the water plant referred to above. He has paid \$2,000.00 on the note, leaving a balance of \$2,000.00 due.

The mortgage was executed and the note issued without an order from the Railroad Commission. Under the provisions of the Public Utilities Act both are void. Obviously the commission can not approve either the note or the mortgage. The record clearly shows that the mortgage was executed and the note issued through inadvertence, and

with no intent to violate the provisions of the Public Utilities Act. The order herein will authorize applicant to issue a new note, and execute a new mortgage, it being understood that the note now outstanding be canceled and the mortgage released of record.

I herewith submit the following form of order:

ORDER.

Ira A. Moomaw having applied to the Railroad Commission for an order authorizing an increase in water rates and validating a mortgage, and a public hearing having been held,

It is hereby ordered that Ira A. Moomaw be and he is hereby granted authority to issue a two-year 7 per cent promissory note for the principal sum of \$2,000.00 to Lottie E. Neher, or order, for the purpose of refunding the \$2,000.00 of indebtedness due and payable.

It is hereby further ordered that Ira A. Moomaw be, and he is hereby granted authority to execute for the purpose of securing the payment of said note, a mortgage, substantially in the same form as the mortgage filed with the commission on March 7, 1919.

It is hereby further ordered that the application of Ira A. Moomaw to increase rates be, and the same is hereby denied.

The authority herein granted to issue the note and execute the mortgage is upon the following conditions and none other:

1. Upon the issue of the note and the execution of the mortgage herein authorized, the note now outstanding shall be canceled and the mortgage securing the payment of said note released of record.

2. The approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject.

3. The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

4. Applicant shall, within sixty (60) days after the date hereof, file a report with the commission showing to what extent and in what manner he has exercised the authority herein granted.

5. The authority herein granted shall apply only to such note as may be issued, and to such mortgage as may be executed, within sixty (60) days after the date hereof.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-second day of March, 1919.

DECISION No. 6214.

IN THE MATTER OF THE APPLICATION OF A. J. MARTIN FOR PERMISSION TO RAISE PRICE OF WATER SOLD BY HIM FROM ONE CENT TO TWO AND ONE-QUARTER CENTS PER MINER'S INCH PER HOUR.

Application No. 3901.

IN THE MATTER OF THE APPLICATION OF A. J. MARTIN FOR PERMISSION TO DISCONTINUE THE SERVICE OF IRRIGATION WATER.

Application No. 4338.

Decided March 22, 1919.

A. J. Martin, in propria persona.

MARTIN, *Commissioner.*

OPINION.

The above-entitled proceedings were consolidated for hearing and decision by the consent of all parties thereto.

Applicant in Application No. 3901 alleges, in effect, that he is the owner of forty acres of land in the vicinity of Baldwin Park, Los Angeles County; that in order to irrigate it he constructed a well, pumping plant and pipe system; that as an accommodation water was sold at the rate of 1 cent per miner's inch per hour to owners of adjoining lands for irrigation, and that this rate is unremunerative, and asks that the rate of 2½ cents per miner's inch per hour be established.

The application in No. 4338 sets out that the applicant, A. J. Martin, is compelled, because of his business, to be absent from his ranch and water plant a large portion of the time, and that it works a hardship and a financial loss upon him to be compelled to continue the operation of his water system as a public utility and asks to be permitted to discontinue service. The applicant in these proceedings desires primarily to discontinue service, and if he is not permitted to do this, asks that he be authorized to increase rates.

Applicant is operating a small water utility in the vicinity of Baldwin Park, Los Angeles County, and is delivering water to four consumers for the irrigation of their ranches. Between 125 and 175 acres have been irrigated from this plant annually during each of the past three years. The plant consists of an electric motor with appurtenant switchboard and wiring, a belt-driven American deep well pump, a concrete line shaft 98 feet deep, with a 12-inch bored well 90 feet deep below the bottom of this shaft, a 10-inch galvanized iron discharge pipe extending into a corrugated iron receiving basin and about 1,200 feet of 12-inch concrete pipe.

A public hearing was held in these proceedings in Los Angeles on February 6, 1919.

Mr. Frank E. Werner, one of the consumers, appeared and protested against the granting of the application to discontinue service and stated that it would work a hardship upon him because at this time he could not install a pumping plant to irrigate his land. He stated, however, that in his opinion the rates should be increased to \$2.00 per hour's operation of the pump, the capacity of which as operated at present is approximately 120 miner's inches.

It appears from the evidence that it will be necessary for Mr. Martin to have a man on his ranch to operate it and that it will work no hardship for him to continue service and that it will materially injure his consumers if he is permitted to discontinue operation.

Applicant has assumed this obligation and it would not be fair to his consumers to permit him to discontinue.

An analysis of the cost of operation presented by the commission's engineers show a cost of \$1.86 per hour's operation of this plant. A segregation of this follows:

Power cost per hour	\$1 00
Attendance per hour	0 35
Sundries	0 10
Proportion of interest	0 28
Proportion of depreciation	0 13
Total	\$1 86

This sum is the cost for the actual hours of operation and some allowance should be made for idle time and increased costs of operation.

It is apparent that the rate of \$1.50 per hour's operation of the plant, which Mr. Martin refers to as 1 cent per miner's inch per hour, is not remunerative, and as Mr. Martin is compelled to continue his plant in operation, it is just that he receive adequate compensation for the service rendered, and I shall, therefore, recommend that a rate of 1½ cents per miner's inch per hour be established, which is at the rate of \$2.00 for each hour's operation of the pump at its present rate of discharge.

It further appears that Mr. Martin has in the past bartered with each consumer as to the rate to be paid, and has not conformed to the legal rates in effect. The rate herein established must be charged each consumer, unless permission to change is granted by this commission.

I submit the following form of order:

ORDER.

Application having been made by A. J. Martin for authority to discontinue service or to increase rates, and a public hearing having been held, and the commission being fully advised in the premises.

It is hereby ordered that A. J. Martin be and he is hereby authorized and directed to file with this commission within twenty (20) days of the date of this order and thereafter charge the rate of $1\frac{3}{4}$ cents per miner's inch (one-fiftieth cubic feet per second) hour.

It is further ordered that the application of A. J. Martin to discontinue service be and the same is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-second day of March, 1919.

DECISION No. 6220.

FRANCES R. SCHMITT ET AL.

vs.

EMIL FIRTH AND DR. EDGAR SMITH.

Case No. 1292.

Decided March 21, 1919.

WATER SERVICE—PUBLIC UTILITIES.—An individual operating a water distributing system and distributing water for compensation operates a public utility and is responsible for the kind of service rendered to consumers. Defendant directed to file for the approval of the commission, plans for the rehabilitation of his water system and upon the approval of such plans to immediately proceed to carry out such improvements.

Elias V. Rosenkrans, for Complainants and Defendant Firth.

G. P. Adams, for Dr. Edgar Smith, Defendant.

BY THE COMMISSION.

OPINION.

This complaint is brought by twenty-eight users of water from the water system supplying the residents of Sunnyside Garden Acres Tract No. 3002 in Los Angeles County, alleging that the water plant supplying complainants with water is inadequate and in such condition that so large a quantity of water is wasted that consumers do not receive a sufficient quantity for domestic and other uses.

The complaint alleges in effect that defendants Emil Firth and Dr. Edgar Smith own and operate a public utility water system for the purpose of supplying water to complainants and others residing in Sunnyside Garden Acres Tract No. 3002; that water service is inadequate; that the quantity of water delivered is not sufficient for their

needs, and that there is a lack of proper supervision of the distribution of the water, and asks that defendants be directed to exercise proper supervision over the distribution of the water and deliver to the complainants an adequate and sufficient quantity for their needs.

Defendant Firth in his answer denies that he owns and operates a water distributing system for supplying water to complainants herein or to Sunnyside Garden Acres Tract No. 3002 in Los Angeles County; denies that he has any interest whatever in said water system, and admits that the service rendered to complainants is inadequate and that the quantity of water furnished is not sufficient for their use. He further alleges that Dr. Edgar Smith, whose true name is Charles Edgar Smith, is the owner of the water system supplying the aforementioned tract, also Tract No. 2752, Sunnyside Garden Acres Addition, located in Los Angeles County; that defendant Smith entirely controls, operates and manages the aforementioned water system and has been delivering water for domestic and irrigation uses for compensation to complainants and others residing on said tracts; that said defendant Smith has failed to supply wholesome water to complainants; that he has neglected the water pipes of said system so that the streets under which the pipes are laid become full of water; that he has failed to repair the pipe system so that adequate and sufficient supply of water can be delivered to his consumers.

Defendant Firth asks that the complaint be dismissed as to him.

Defendant Smith in his answer, alleges in effect that he is the owner of the tract of land described in the complaint herein; that he entered into an agreement with Defendant Firth to subdivide said tract and install a water system; that Defendant Firth installed pipes of inferior quality and thickness and that said pipes are now leaking so badly that it is impossible to supply the residents of said tract with sufficient water; that said pipes can not be repaired and must be entirely replaced with new pipe in order to furnish a sufficient quantity of water for said residents; that the present income derived is unremunerative and does not produce a sufficient revenue to meet necessary costs of maintenance and operation; that Tract No. 3002 embraces 80 acres and Tract No. 2752 has an area of 40 acres, requiring approximately four miles of water mains to supply water to forty consumers who pay only \$60.00 to \$70.00 per month, and that the maintenance and operation expense equals at least \$90.00 per month.

Defendant Smith amended his answer at the hearing and alleged that he does not conduct a public utility water business. The prayer asks that he be permitted either to discontinue water service or permitted to charge remunerative rates.

A public hearing was held in this proceeding in Los Angeles on February 17, 1919, by Examiner Encell.

In 1915, Dr. Edgar Smith, hereinafter referred to by his true name, Charles Edgar Smith, as owner of the land which is now known as Tract No. 3002, Sunnyside Garden Acres, entered into a contract with Defendant Emil Firth, under the terms of which Emil Firth acted as agent in the sale of said tract and in the installation of a water system, roads and other improvements in said tract. The contract provided in part as follows:

“ * * * and said party of the first part (Charles Edgar Smith) agrees to supply wholesome water in sufficient quantities for irrigation and domestic use to the water users in said tract at the ruling rate authorized by the State Railroad Commission.”

In 1917 a similar agreement was entered into, providing for the subdivision and sale of Tract No. 2752, Sunnyside Garden Acres Addition, which tract adjoins Tract No. 3002. Under this agreement a water system was installed and water has since been delivered to the purchasers of lots in that tract.

The water supply for this system is obtained from a well from which water is pumped by a deep well single-acting pump into a 20,000-gallon redwood tank on a 28-foot tower. From this tank water flows by gravity through the pipe system to the consumers. Another tank of similar capacity is installed but is not used at present.

At the hearing it was admitted by Defendant Smith that he owns the water system in question and receives compensation for delivering water to complainants and others, which clearly establishes the fact that Defendant Smith owns and operates a public utility water system, and is therefore responsible for the service rendered to complainants herein and other residents of the district served.

It is admitted by all parties to this proceeding that service to the consumers is poor and that the pipe system is in such condition that an insufficient quantity of water is being delivered to complainants, and that in order to render adequate service it will be necessary to replace practically the entire distributing system. It further appears that the gasoline engine which drives the pump is not in good repair. Service has been so poor that there has been an insufficient quantity of water delivered for even the necessary domestic uses and the situation is so acute that steps must be taken to immediately remedy the causes of complaint, installing such pipes immediately as will enable the utility to deliver sufficient water for the essential uses.

In designing and planning for the reconstruction and rehabilitation of this plant, the program of construction should be such that those portions of the pipe system which are in such condition that it is impossible to transmit water without a large percentage of it wasting, be replaced immediately in order to restore adequate service to complainants and other consumers in the very near future.

It is the practice of some real estate dealers to subdivide tracts and install water systems of very light or second-hand pipe, which serves well only until the dealer is able to dispose of his holdings and withdraw, legally, from any further responsibility. Then the responsibility falls upon the original owner of the tract, if he proves to be the owner of the water system; or the consumers, with or without organization, for their own protection must practically completely reconstruct the water plant.

Poor service has almost inevitably been the result of this practice and most of the complaints brought to the attention of this commission have been because of this method of procedure. It is unfortunate that the Railroad Commission can not hold the promoters of such projects responsible and require that a satisfactory and durable system be constructed at the expense of those morally responsible.

ORDER.

Complaint having been made by Frances R. Schmitt and others in the proceeding entitled as above, a public hearing having been held and the matter having been submitted and being now ready for decision,

It is hereby found as a fact that Charles Edgar Smith is operating a public utility water system and is supplying water to residents of Tracts Nos. 3002 and 2752, Sunnyside Garden Acres Addition, Los Angeles County, and basing its order upon the foregoing finding of fact and the further statements of fact set out in the opinion preceding this order,

It is hereby ordered that the complaint in the above-entitled proceeding be and the same is hereby dismissed, in so far as it relates to defendant Emil Firth.

It is further ordered that defendant Charles Edgar Smith be and he is hereby directed to file with the Railroad Commission of the state of California for its approval, plans and specifications for the reconstruction of the water distributing system supplying water to residents of Tracts Nos. 3002 and 2752, Sunnyside Garden Acres Addition, Los Angeles County, within ten (10) days from the date of this order.

It is further ordered that upon the approval of said plans and specifications Charles Edgar Smith shall proceed without delay to reconstruct and repair the aforementioned water system as provided in the approved plans and specifications and shall complete said reconstruction and improvements on or before May 15, 1919.

It is further ordered that Charles Edgar Smith file for approval by the Railroad Commission, rules and regulations governing the distribution of water to his consumers, which he is directed to put into

effect as corrected and amended by the commission within twenty (20) days from the date of this order.

Dated at San Francisco, California, this twenty-fourth day of March, 1919.

DECISION No. 6221.

IN THE MATTER OF THE APPLICATION OF S. H. FINLEY, OWNER OF EAST SIDE WATER SYSTEM OF HUNTINGTON BEACH FOR AUTHORITY TO INCREASE WATER RATES.

Application No. 4278.

IN THE MATTER OF THE RATE CHARGED BY HUNTINGTON BEACH WATER COMPANY FOR WATER SUPPLIED TO AND DISTRIBUTED BY S. H. FINLEY, OWNER OF EAST SIDE WATER SYSTEM OF HUNTINGTON BEACH.

Case No. 1288.

Decided March 26, 1919.

WATER RATES - METERS.—A water utility can not expect to operate profitably when it purchases its water on a metered basis and sells it to consumers at flat rates, nor will such a utility be permitted to increase its rates when by metering its consumers a sufficient saving can be made to provide for it an adequate return. Revised schedule of meter rates established and applicant directed to install meters for all consumers.

S. H. Finley, in propria persona.

L. W. Blodget, city attorney, for city of Huntington Beach.

W. L. Hefner and H. V. Anderson, for Huntington Beach Water Company.

BY THE COMMISSION.

OPINION.

Above-named applicant requests authority to increase rates for water distributed by him in that portion of Huntington Beach, Orange County, which is bounded by the Southern Pacific Railroad, Delaware avenue, Memphis and Atlanta streets, and that a special rate be given to applicant by Huntington Beach Water Company for water supplied by it to applicant for distribution. The commission therefore ordered an investigation under Case No. 1288 into the reasonableness of the rates charged Mr. Finley.

A public hearing was held by Examiner Westover at Huntington Beach. By stipulation of parties both proceedings were consolidated for hearing and decision.

The most of Huntington Beach is served with water by Huntington Beach Water Company, including that portion adjoining the territory

above described, which is served by applicant. Applicant purchases from the Huntington Beach system all the water distributed by him, at the usual monthly metered rates, most of his supply naturally being purchased at the lowest rate per 100 cubic feet.

By Decision No. 1730 of August 14, 1914, monthly flat and metered rates were established for Huntington Beach Company. (Vol. 5, Opinions and Orders of the Railroad Commission of California, p. 237.) The metered rates then fixed were:

First 500 cubic feet or less	\$1 00
Next 4,000 cubic feet per 100 cubic feet.....	10
Over 4,500 cubic feet per 100 cubic feet.....	06

By Decision No. 4046 of January 22, 1917, Mr. Finley was authorized to apply the same rates to his system. (See Vol. 12, Opinions and Orders of the Railroad Commission of California, p. 351.)

By Decision No. 5972 of December 3, 1918, Huntington Beach Water Company, successor of the Huntington Beach Company, was authorized to increase its rates to the following:

First 400 cubic feet or less	\$1 00
Next 3,000 cubic feet per 100 cubic feet.....	15
All over 3,400 cubic feet per 100 cubic feet.....	10

Mr. Finley as a consumer of Huntington Beach Water Company is therefore purchasing water at the latter rates and selling it at the earlier lower rate.

Mr. Finley in his application requests a wholesale rate for water purchased by him monthly for amounts over 3,400 cubic feet and less than 10,000 cubic feet, of 8 cents per 100 cubic feet and for all amounts over 10,000 cubic feet, of 6 cents per 100 cubic feet; and that his rates for water sold through his system be the recent Huntington Beach rates or such modification thereof as may be found suitable.

Huntington Beach Water Company objects to the proposed wholesale rate because it would reduce its revenue, which was designed to afford it a return on only two-fifths of its investment, since its system is at present overbuilt; because a readjustment of rates to protect its revenue would increase the burden of other consumers; and because in either event such a rate would result in discrimination. However, it offers no serious objection to the establishment of a low rate for exceptionally large use which would apply to several of its larger consumers.

Mr. Finley's East Side system consists of nearly 20,000 feet of 2-, 3- and 4-inch standard screw pipe with valves, fittings, 135 services and 81 meters, laid in several subdivisions containing an aggregate of about 1,000 lots. The system serves all of the houses in its territory except two, for which private wells are provided.

As shown by Decision No. 4046, of January 22, 1917, the estimated cost new of the system, including 135 services, was \$6,783.00, of which

consumers provided between \$200.00 and \$250.00 for service connections. The above amounts do not include well, tank house and real estate not used or useful. A suitable annuity for depreciation was computed by the commission's engineers to be \$168.00. Applicant shows the cost for collection, superintendence, repairs and taxes for the year ending October 31, 1918, to have been \$575.89.

In Decision No. 5972 of December 3, 1918, the commission found that the Huntington Beach system was then serving about one-fifth of the consumers which it was prepared to serve and therefore allowed as a rate base two-fifths of the estimated cost of the plant as a proper charge in rates against the present consumers.

Mr. Finley's system has sufficient capacity to serve 1,000 consumers, although it has but 135 connections. The only addition to the system since the previous valuation is 6 meters costing \$52.20. Applying the principle referred to above to the pipe system, and allowing a return on meters enough for the entire system, \$3,500.00 is a reasonable sum to use as a rate base in computing rates which should be paid by the present consumers.

Our engineers have computed from applicant's records the amount of water sold by him during 1918 upon flat and metered rates. From this it appears that a total of 942,120 cubic feet was purchased by Mr. Finley during the year ending October 31, 1918, and that during the year ending November 30, 1918, he sold a total of 584,800 cubic feet through an average of 72 active meters, an average consumption of about 8,120 cubic feet per annum. Apparently his annual sales upon flat rates, including losses due to leakage, amount to about 357,320 cubic feet. As the average number of active flat rate services for the year is said to be 18, the average annual consumption per consumer under flat rates is apparently about 19,850 cubic feet or nearly two and one-half times the consumption under metered rates. Apparently if the system were fully metered and water purchased and sold under the present Huntington Beach rates, established by Decision No. 5972 of December 3, 1918, the cash saving in water purchased of 11,730 cubic feet per year for each of the 18 average flat rate consumers would amount to \$11.73 or a total of \$211.14; yet the revenue would not be reduced, but probably increased.

It appears that a total of about 62 per cent of water purchased produced \$1,126.30 at metered rates, or about 79 per cent of the revenue from water sales, while about 38 per cent of the water purchased produced \$249.45 at flat rates, or only about 21 per cent of the total revenue from water sales.

This very forcibly illustrates the injustice and poor judgment in selling a practically unlimited amount of water under limited flat rates,

particularly when the water is purchased under metered rates and every foot of it paid for in cash.

Computations show that if applicant purchases and sells water at the rates established by Decision No. 5972 of December 3, 1918, with an average of 90 metered consumers, using the average metered consumption of 1918, his revenue will probably be sufficient to cover the annual charges hereinabove referred to, including purchase of water, maintenance, and operation, depreciation, and a return on the full investment in meters for the entire system, and on that portion of the distributing system on which present consumers should pay rates.

Establishing a reduced rate to be charged by Huntington Beach Water Company for large use which would not be discriminatory but available to other consumers of large quantities of water, would reduce that company's revenue far more than the amount of the reduction in Mr. Finley's bill for water purchased; and such a course does not seem to be justified in this instance where applicant can so greatly reduce his operating cost by fully metering his system. That feature of the application will therefore be denied.

ORDER.

S. H. Finley having applied to the Railroad Commission for authority to increase water rates, a public hearing having been held thereon, the matter having been submitted and being now ready for decision,

The Railroad Commission hereby finds that the metered rates now charged by said S. H. Finley, in so far as they differ from the metered rates, herein established, are unreasonable and noncompensatory and that the rates hereby established are just and reasonable rates; and basing its order upon the above findings of fact and upon all of the findings of fact contained in the opinion preceding this order,

It is hereby ordered that S. H. Finley be and he is hereby authorized to file with the commission within twenty (20) days from the date of this order and thereafter to charge and collect the following metered rates and rates for hydrant rentals:

Minimum payment for 400 cubic feet.....	\$1 00
Next 3,000 cubic feet per 100 cubic feet.....	15
Over 3,400 cubic feet per 100 cubic feet.....	10
Fire hydrant rentals:	
2-inch	\$1 25 per month
2½-inch	1 50 per month
3-inch	2 00 per month

It is hereby ordered that applicant's present flat rates continue in effect until his system is fully metered or until the further order of the commission.

Said S. H. Finley is hereby authorized and empowered to place meters on all services and thereafter charge the above metered rates only.

It is further ordered that the application of said S. H. Finley in so far as it requests the establishment of a special wholesale rate to be charged to applicant by Huntington Beach Water Company be and it is hereby denied.

It is further ordered that Case No. 1288, initiated by the commission on its own motion to investigate the reasonableness of the rates charged by Huntington Beach Water Company for water supplied to and distributed by S. H. Finley be and it is hereby dismissed.

Dated at San Francisco, California, this twenty-sixth day of March, 1919.

DECISION No. 6222.

IN THE MATTER OF THE APPLICATION OF MARIAN MILLING COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF CAPITAL STOCK.

Application No. 4426.

Decided March 26, 1919.

J. R. Whittemore, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

Marian Milling Company asks permission to issue, at par, \$50,000.00 of its common capital stock.

The record shows that applicant corporation was organized in June, 1918. It has an authorized stock issue of \$50,000.00 divided into 5,000 shares of the par value of \$10.00 each. Applicant reports the cost of its warehouse, bean-cleaning machinery and equipment at \$33,271.59. The cost of the property devoted to public utility purposes is reported at \$18,997.92, while the cost of nonpublic utility property is reported at \$14,273.67. Applicant's warehouse is completed. It has, however, not completed a year's business. It reports gross revenues from public utility business—storage—of \$2,387.63, and earnings from all other sources—re-cleaning beans and sale of merchandise—of \$8,416.92, making total receipts of \$10,804.55. Its total expenses including interest are reported at \$11,409.77.

Applicant reports \$11,250.00 of stock outstanding. This stock was issued without an order from the Railroad Commission and is void

under the provisions of section 52 of the Public Utilities Act. Obviously, the commission can not approved the issue of stock which is declared void by statute. The record clearly shows that the money obtained from the people who subscribed for applicant's stock was used to finance the construction of applicant's warehouse and the purchase of equipment. The testimony shows that the stock was issued through inadvertence and with no intent to evade the provisions of the Public Utilities Act. The order herein will permit applicant to issue \$11,250.00 of stock subject to the condition that the certificates of stock now outstanding be recalled and canceled and new certificates issued in lieu thereof.

Applicant also asks permission to issue the remainder, \$38,750.00, of its authorized capital stock. No detailed information showing the purposes for which the \$38,750.00 obtained from the issue of this stock will be expended, has been filed with the commission. The order herein will provide that the proceeds obtained from the sale of the \$38,750.00 of stock be deposited in a special bank account and expended only for such purposes as may hereafter be authorized by the commission.

I herewith submit the following form of order:

ORDER.

Marian Milling Company having applied to the Railroad Commission for authority to issue \$50,000.00 of stock, a public hearing having been held and the commission being of the opinion that this application should be granted, subject to the conditions of this order,

It is hereby ordered that Marian Milling Company be and it is hereby granted authority to issue, at not less than par, \$50,000.00 of its common capital stock, subject to the following conditions:

(A) Eleven thousand two hundred fifty dollars of stock shall be issued to the parties who now hold stock certificates of Marian Milling Company, provided that prior to the issue of any certificates, the outstanding certificates be recalled and canceled and the new certificates issued in lieu thereof.

(B) Thirty-eight thousand seven hundred fifty dollars of stock herein authorized to be issued shall be sold, for cash, at not less than par, the proceeds deposited in a special bank account and expended only for such purposes as may be hereafter authorized by the Railroad Commission in a supplemental order or orders in this proceeding.

(C) Marian Milling Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the stock herein authorized to be issued, and on or before the twenty-fifth day of each month, the company shall make verified

reports to the Railroad Commission stating the sale or sales of said stock during the preceding month, the terms and conditions of the sale, the moneys realized therefrom and the use and application of such moneys, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(D) The authority herein granted to issue stock shall apply only to such stock as may be issued on or before December 31, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-sixth day of March, 1919.

DECISION No. 6223.

IN THE MATTER OF THE APPLICATION OF BENICIA WATER COMPANY, A CORPORATION, FOR AN EMERGENCY RATE FOR WATER FURNISHED TO THE CITY OF BENICIA AND ITS INHABITANTS.

Application No. 4343.

Decided March 26, 1919.

EMERGENCY EXPENSES - WATER UTILITIES.—A water utility which has been put to a considerable expense to increase its available supply of water so as to enable it to meet temporary extraordinary demands of certain of its large consumers, will be permitted to put into effect an emergency schedule of increases, particularly when such rate affects only the larger consumers responsible for the increase in cost of operation.

A. E. Shaw, for Benicia Water Company.

P. B. Lynch, E. C. Vana and J. J. Moore, for city of Benicia.

LOVELAND and MARTIN, Commissioners.

OPINION.

This is an application by Benicia Water Company, a public utility corporation, hereinafter referred to as the applicant, engaged in the business of supplying water to the people of Benicia, for authority to install a temporary rate to amortize expenses incurred in furnishing an emergency supply of water to its consumers.

A public hearing in this matter was held in Benicia, February 28, 1918.

The application alleges in effect that owing to the lack of rainfall during the year 1918, and by reason of increased consumption, due to abnormal demands by manufacturers and the Southern Pacific Com-

pany, the supply of water in the reservoirs became greatly depleted and applicant was forced to sink a number of wells and to convey water in barges from the San Joaquin and Sacramento rivers.

The cost of providing the emergency supply is set forth as follows:

Cost of installation of wells and equipment	\$8,242 00
Cost of installation of barge and equipment	4,898 00
Total cost of installation	\$13,140 00
Salvage on wells and equipment	\$1,681 00
Salvage on barge and equipment	1,294 00
Total salvage	2,975 00
Net cost of wells, barge and equipment	10,165 00
Cost of operation of wells per month	632 00
Cost of operation of barge per month	5,568 50

Applicant asks permission to install emergency rates for water delivered to consumers and to continue such rates in effect until the entire extraordinary expense is amortized. The present rates and the emergency rates asked for are as follows:

For consumers using 2,000 gallons or less, rates will remain as at present.

	Present rates	Emergency rates
From 2,000 to 20,000 gallons, per thousand gallons.....	\$0 60	\$0 75
Next 10,000 gallons, per thousand gallons.....	55	60
Next 10,000 gallons, per thousand gallons.....	50	55
Next 10,000 gallons, per thousand gallons.....	45	55
Next 25,000 gallons, per thousand gallons.....	40	55
Next 25,000 gallons, per thousand gallons.....	35	55
Over 100,000 gallons, per thousand gallons.....	29	55
Monthly minimum for 1/2-inch meter (2,500 gallons or less)	1 50	
Monthly minimum for 3/4-inch meter (2,000 gallons or less)		1 50
All other rates the same as now in effect.		

The testimony offered was to the effect that the recent shortage of water on the applicant's system was caused by abnormal demands by manufacturers and by the Southern Pacific Company. War activities were responsible for the great manufacturing use and the Southern Pacific Company's Port Costa supply became so depleted that it was necessary to make up the deficiency at Benicia. Apparently the applicant has made every reasonable effort to increase its available supply and the recent shortage of water was caused by abnormal and unforeseen demands upon the water system and through no fault or omission on the part of the applicant.

It is also apparent that the applicant is not now earning, and for some years past has not earned, a return of 6 per cent upon its invested capital. In fact, testimony was introduced to show that the rate of

return for the past seven years has ranged from a deficit of 1.42 per cent to a surplus of 3.14 per cent.

It is therefore evident that the applicant is entitled to an increase in rates in order that the extraordinary expenses, incurred in providing an emergency supply of water, may be amortized.

The actual total cost of providing the emergency supply is not yet available as operation of the wells and barge was continued until February 15, 1919, and final bills for expenses have not yet been shown upon the applicant's books. Actual allowances for salvage upon well and barge equipment can not be determined until such time as the equipment is sold or otherwise disposed of. Computations of the commission's engineers, based upon estimates of the applicant, indicate that the total expense will amount to \$27,000.00.

The emergency rate asked for will result in an increase of \$25,715.00 in 12 months over the revenues received from the sale of water in 1918, when based upon the quantities sold in that year. The applicant, however, contends that the increase will amount to \$20,336.00 or less, owing to probable decreases in quantities consumed. This contention is supported by the fact that the Southern Pacific Company has already materially reduced its draught on the system.

Under the emergency rates desired consumers of 2,000 gallons or less per month would pay no more than under the present rates. During the year 1918 fifty-seven per cent of all consumers used less than 2,000 gallons per month, and it is seen that, under the proposed rates, the burden of paying for the emergency supply is placed upon consumers of large quantities of water who were directly responsible for the shortage.

In view of all the circumstances we are of the opinion that the emergency rates asked for by the applicant should be allowed and should continue in effect until further order of the commission. On or before January 1, 1920, an additional investigation will be made and the commission will issue such supplemental order as is required.

In connection with the use by Southern Pacific Company, previously mentioned in this opinion, we desire to particularly point out the fact that the shortage of water was very largely due to the demands of that company upon the water system. The Southern Pacific Company is in reality a "consumer on wheels" and, in case of a deficiency at one point, can transfer its demands to another place where the supply is more plentiful. This was the procedure followed in 1918 when the Benicia Water Company was called upon to supply 44 per cent more water to the Southern Pacific Company than was used in 1917, with the result that the expense of furnishing the emergency water supply was very greatly increased. It is obvious that, having been such a vital

factor in producing the shortage of water at Benicia, the Southern Pacific Company is morally bound to assist in paying for the emergency water supply and should continue its patronage. Under the circumstances, while the commission is without authority to compel further purchases of water by the Southern Pacific Company from the applicant, we trust that with the facts clearly set forth, the moral responsibility will be recognized and appropriate measures taken.

ORDER.

Benicia Water Company having made application for permission to install an emergency rate to be charged by said Benicia Water Company to its consumers, a public hearing having been held thereon, and the commission being fully apprised in the premises,

The Railroad Commission hereby finds as a fact that the rates now charged by Benicia Water Company are unjust and unreasonable in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates to be charged by Benicia Water Company.

Basing its order upon the foregoing finding of fact and upon the findings of fact which are contained in the opinion which preceded this order,

It is hereby ordered that Benicia Water Company be and the same is hereby authorized to file with the Railroad Commission within fifteen days from the date of this order, and to thereafter, until further order of the commission, charge the following rates for water served to the inhabitants of Benicia and vicinity.

Rate Schedule.

First 20,000 gallons, per thousand gallons	\$0 75
Next 10,000 gallons, per thousand gallons	0 60
Over 30,000 gallons, per thousand gallons	0 55
Monthly minimum rate for each ½-inch meter or less, \$1.50 per month; and for each 1-inch diameter of meter above ½-inch, \$0.50 per month.	
All other rates to remain the same as those now in effect.	

And it is further ordered that Benicia Water Company shall on or before the fifteenth day of each month, file with the Railroad Commission a statement showing the revenues derived from the sales of water during the preceding month and during the corresponding month of 1918.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-sixth day of March, 1919.

DECISION No. 6224.

S. PIERINI, JOE DE CESARE AND C. PIERINI

vs.

WEST SAN JOAQUIN VALLEY WATER COMPANY, A CORPORATION.

Case No. 1269.

Decided March 26, 1919.

METERS—INJURIES TO—WATER UTILITIES.—A water utility that has had property damaged by consumers may establish a rule requiring consumers to pay for injuries caused by them or have their water service discontinued. Defendant directed to improve water service by installation of additional pipes.

John Outcalt and J. R. McHenry, for Complainants.

Edw. F. Treadwell, by Beverley B. Blake, for Defendants.

BY THE COMMISSION.

OPINION.

The complaint alleges that defendant, a public utility serving domestic water on both sides of the Southern Pacific Railroad in South Dos Palos, Merced County, furnishes an inadequate supply of water to consumers east of the railroad tracks because of insufficient capacity of the plant, and especially of the pipes conveying water across the tracks; and that the water, which is carried in an open ditch for miles, is muddy and not fit for household or domestic use. The answer denies all of the material allegations of the complaint.

A public hearing was held by Examiner Westover at Dos Palos, February 14. Exhibits to be filed after the hearing pursuant to stipulation, have just been filed, and the case is now ready for decision.

The water served by defendant is diverted from the San Joaquin River and carried in an open canal about 22 miles to a ditch through which it is carried about three miles to defendant's gravel filter bed, thence into its reservoir from which it is pumped by a 2-horsepower motor into a 12,000-gallon tank on a tower about 25 feet high, and thence distributed through 34 service connections, five of which were inactive at the time of the hearing.

Complaints of service are limited to the territory lying east of the railroad tracks. Several witnesses testified for the complainants to the effect that pressure in that territory is very poor, especially during about five months in the summer of each year, although no faucet concerning which testimony was offered is more than four and one-half feet above the ground. All of the premises served are on level ground. Consumers are frequently without water for several days at a time.

Many times the tank is entirely dry in the morning after being filled the night before. Defendant's witnesses admit poor service east of the tracks. There is an ample supply of water in defendant's reservoir, except on rare occasions when for as much as an hour or two at a time no water comes down the ditch, because of accident or unusual conditions on the main canal. Water must be a foot deep or more in the main canal before it will flow into the ditch leading to defendant's pump.

Witnesses for complainants and defendant agree that the remedy for the poor service conditions east of the tracks will be found in installing larger pipes. It is also clear from the testimony that the entire system should be metered to conserve water.

Defendant seeks to justify its failure to improve the service on the ground that consumers are so few and its revenue so small that an adequate rate will be unreasonably high. Rates are not now before the commission for consideration. When the question of rates is presented, the commission will then consider all elements involved in fixing just and reasonable rates.

Defendant complains that a few meters heretofore installed were soon out of repair and were not replaced after being repaired. It is intimated that meters were wilfully injured. Defendant can guard itself against wilful injuries by establishing a rule requiring consumers to pay for injuries caused by them, or have water service cut off.

ORDER.

Public hearing having been held in the above-entitled case, oral and documentary testimony having been presented by the parties, the matter having been submitted and being now ready for decision.

It is hereby ordered that within sixty (60) days defendant install an additional 2-inch pipe independently connected with its tank and laid across the railroad tracks connecting with its main in M street at a point opposite lot 30, block 15; and that that portion of its main in M street between the point last indicated and the northwesterly line of Seventh street to be replaced by a 2-inch main; and that within ninety (90) days defendant complete the metering of its system.

Dated at San Francisco, California, this twenty-sixth day of March, 1919.

DECISION No. 6226.

AMERICAN COLONY CANAL AND IRRIGATION COMPANY ET AL.

vs.

FRESNO CANAL AND LAND CORPORATION.

Case No. 1230.

*Decided March 26, 1919.**M. K. Harris*, for Complainants.*Short & Sutherland*, by *W. A. Sutherland*, for Defendant.

BY THE COMMISSION.

OPINION.

The complaint herein alleges, among other matters, that during the irrigation season of 1917 and until after the filing of the complaint on May 8, 1918, defendant refused to deliver to the complainants herein the amount of water to which they were entitled; that defendant discontinued all of its 1917 irrigation deliveries on August 8, although it had water available after that date, and that its service has been inadequate and irregular. The answer admits that other water users have, at times, taken more than their share of water out of defendant's canal (thus depriving complainants of their portion), but alleges that defendant has taken steps to remedy this condition.

A public hearing in this proceeding was held in Bakersfield on February 28, 1919, before Examiner Bancroft.

From the evidence herein it appears that the complainants, comprising some 38 farmers in Fresno County, owning a total of over 2,000 acres, obtain their water from the defendant at a point locally known as the Walnut avenue headgate, from which point it is conducted through the system of American Canal and Irrigation Company, a mutual ditch company owned by the other complainants; that during the irrigation season of 1917 defendant failed to furnish complainants with the amount of water called for by their contracts and that the water which was furnished was delivered with reprehensible irregularity, and often without proper notice to complainants, which frequently resulted in their not being able to make proper use of the water when they did receive it. The evidence also shows that one reason why the delivery of the water was inadequate and uncertain was that the portion of defendant's canal extending above said Walnut avenue headgate for a distance of about four miles was not at that time properly cared for or controlled by defendant, in that no ditch tender properly looked after said portion of the canal, and that other parties

along the line of said canal took from it a much greater amount of water than they were entitled to. During the year 1916, defendant employed complainants' ditch tender to look after this portion of the canal and the results were apparently entirely satisfactory to complainants. It also appears that since the filing of this complaint, on May 8, 1918, defendant's service has been, on the whole, satisfactory, which may or may not have been due to the institution of this proceeding. One fact should be noted, however, which is that defendant has established a rotation system of delivery from the Walnut avenue gate up to the intake, by which the water users receive their allotted amount of water twice a month instead of daily, which has prevented water users along this portion of the ditch from taking water to which they are not entitled. This has also resulted in a distinct saving of water to the company.

ORDER.

A public hearing having been held in the above-entitled proceeding and the matter having been submitted and being now ready for decision,

It is hereby ordered that Fresno Canal and Land Corporation shall hereafter always give to the complainants herein at least five days' notice of any change or irregularity in the delivery of water to said complainants, unless such irregularity results from causes which could not have been foreseen five days in advance, in which case defendant shall give complainants as much notice as possible.

It is further ordered that defendant continue in force its present rotation system of delivery and take such steps as may in the future be necessary to insure complainants receiving their just proportion of the water turned into the canal above the Walnut avenue headgate.

Dated at San Francisco, California, this twenty-sixth day of March, 1919.

DECISION No. 6231.

IN THE MATTER OF THE APPLICATION OF COGGESHALL LAUNCH COMPANY FOR AN ORDER AUTHORIZING AN INCREASE OF RATES.

Application No. 4378.

Decided March 28, 1919.

BY THE COMMISSION.

OPINION.

This is an application by Coggeshall Launch Company, a corporation engaged in carrying freight and passengers upon Humboldt Bay, for

authority to raise its monthly commutation rate between Eureka and Samoa, Humboldt County, from \$1.75 to \$2.00 per month.

A public hearing was held in Eureka on March 20, 1919, before Examiner Baneroft.

From the evidence it appears that applicant owns and operates one steamer, five gasoline launches, one oil and wrecking barge, nine lighters and one gasoline schooner.

All of this company's commutation business is carried upon the S. S. "Antelope," a stern wheel steamer, which cost applicant \$22,500.00.

The following statement submitted by applicant of the business of S. S. "Antelope" during the year 1918 shows an excess of expenditures over receipts amounting to \$2,820.94:

Total passenger receipts S. S. Antelope-----	\$15,165 75
Total freight receipts S. S. Antelope-----	1,551 16
Total receipts S. S. Antelope-----	\$16,716 91

Expenditures S. S. Antelope.

Office and dock-----	\$300 00
Fuel oil-----	1,700 00
Pay roll crew Antelope-----	6,847 00
Office expenses—wages-----	720 00
Printing-----	600 00
Repairs-----	4,735 02
Fire insurance-----	250 00
Employers' liability-----	192 60
Supplies-----	1,593 23
Management Antelope-----	600 00
Losses 33 per cent judgment <i>Early vs. S. S. Antelope</i> -----	2,000 00
	\$19,537 85
Expenditures in excess of receipts-----	2,820 94
	\$19,537 85 \$19,537 85

In considering this statement, however, we find the item of \$4,735.02 for repairs should be reduced two-thirds, owing to the fact that the item includes overhauling and other unusual repairs, which the testimony shows are necessary about every three years. During the year 1918 applicant paid a judgment in the case of *Early vs. S. S. Antelope*, which resulted from an accident in the operation of the steamer, in the sum of \$6,000.00. In the above statement \$2,000.00 of this amount is shown as operating expenses for 1918. Without passing upon the question as to whether the facts of this particular case would authorize this item being included in operating expenses, we are of the opinion that the application should be granted; for if we deduct two-thirds of the item for repairs and the entire amount charged on account of the accident, and allow applicant 5 per cent annual depreciation, its annual net profit upon the cost of this vessel would, with the increased rate, be 5.4 per cent.

ORDER.

Coggeshall Launch Company having applied to the Railroad Commission for authority to increase its monthly commutation rate between Eureka and Samoa, Humboldt County, from \$1.75 to \$2.00, a public hearing in the above-entitled proceeding having been held and the commission being fully apprised in the premises,

The Railroad Commission hereby finds as a fact that the existing commutation rate of applicant between Eureka and Samoa, Humboldt County, California, is insufficient and noncompensatory and that the rate herein authorized is a just and reasonable rate.

Basing its order on the foregoing finding of fact and on the other findings of fact contained in the opinion which precedes this order,

It is hereby ordered that Coggeshall Launch Company be and it is hereby authorized to establish and charge a monthly commutation rate of two dollars (\$2.00) in lieu of the present rate of one dollar and seventy-five cents (\$1.75) between Eureka and Samoa, Humboldt County, California, provided that Coggeshall Launch Company shall, within thirty (30) days from the effective date of this order, file with the Railroad Commission said new commutation rate hereby authorized.

Dated at San Francisco, California, this twenty-eighth day of March, 1919.

DECISION No. 6237.

IN THE MATTER OF THE APPLICATION OF SAN FRANCISCO AND SAN JOSE TRANSPORTATION COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF STOCK.

Application No. 4301.

Decided April 3, 1919.

A. D. Schaffer, for Applicant.

LOVELAND, Commissioner.

OPINION.

San Francisco and San Jose Transportation Company asks authority to issue, at not less than par, \$25,000.00 of its common capital stock.

San Francisco and San Jose Transportation Company was organized on or about January 3, 1919, with an authorized capital stock of \$50,000.00, divided into 10,000 shares of the par value of \$5.00 each. No stock, except three shares necessary to qualify directors, has been issued. Applicant intends to engage in the transportation of freight

and express between San Francisco and San Jose pursuant to the authority granted by the commission's decision in Application No. 3679.

Applicant reports that it has purchased at a cost of \$4,000.00, the business and equipment of the Center Garage at 25 Eleventh street, San Francisco. It has leased for a period of five years at a monthly rental of \$350.00, the building in which this business is being conducted. The building is a two-story brick structure 62 by 137½ feet in dimensions. The garage business is estimated to produce a net monthly income of about \$200.00. In addition applicant will have the use of the building for its San Francisco terminal.

Of the stock which applicant desires authority to issue \$1,000.00 will be delivered to A. D. Schaffer as compensation for legal and secretarial services rendered in securing the necessary permits from local and county authorities, certificate of public convenience and necessity from the Railroad Commission, an order to issue stock and in organizing the corporation. W. R. Casey and J. W. Kelley are each to receive \$250.00 of stock. They have investigated the feasibility of engaging in the motor truck transportation business, have attended hearings before the Railroad Commission and before local and county authorities from whom operating permits had to be obtained. The remainder of the stock, \$23,500.00, will be sold for cash at not less than par. Mr. Schaffer reports that there will be no general offering of the stock to the public. He is satisfied that the company will encounter no difficulty whatsoever in disposing of the stock. At this time it is the intention of the company to issue only \$15,000.00 of the stock. Most of this will be taken by the organizers of this enterprise. The remaining \$10,000.00 will be issued from time to time as the company's business increases and additional equipment will have to be acquired. The order herein will provide that the proceeds from the sale of the \$10,000.00 of stock shall be expended only for such purposes as the Railroad Commission may authorize in a supplemental order or orders herein.

Applicant has purchased four auto-car trucks at a cost of about \$2,900.00 each. The proceeds from the sale of \$15,000.00 of stock which applicant intends to issue forthwith will be used to acquire equipment, pay for terminal facilities and expenses incidental to the establishment of the business.

I herewith submit the following form of order:

ORDER.

San Francisco and San Jose Transportation Company having applied to the Railroad Commission for authority to issue \$25,000.00 of its com-

mon capital stock, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue, is reasonably required for the purpose or purposes specified in the order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income.

It is hereby ordered that San Francisco and San Jose Transportation Company be and it is hereby granted authority to issue \$25,000.00 par value of its common capital stock, subject to the following conditions:

1. Stock in the amount of not exceeding \$1,500.00 may be issued and delivered to A. D. Schaffer, W. R. Casey and J. W. Kelley to reimburse them for expenses paid and compensate them for services rendered in connection with securing the necessary permits from local and county authorities, from the Railroad Commission and in connection with organizing the corporation, all as more fully set forth in Exhibit "C" attached to the petition herein of said \$1,500.00, \$1,000.00 shall be delivered to A. D. Schaffer, \$250.00 to W. R. Casey and \$250.00 to J. W. Kelley.

2. The remaining \$23,500.00 of stock shall be sold for cash at not less than par.

3. Of the proceeds, \$13,500.00 may be expended to acquire four auto-car motor trucks, terminal facilities, office equipment, and pay other expenses incidental to starting applicant's business.

4. The remaining proceeds from the sale of the stock herein authorized, shall be deposited in a special bank account and expended only for such purposes as the Railroad Commission may hereafter authorize by a supplemental order or orders herein.

5. San Francisco and San Jose Transportation Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds from the sale of the stock herein authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission stating the sale or sales of said stock during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

6. The authority herein granted shall apply only to such stock as may be issued and sold on or before December 1, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this third day of April, 1919.

 DECISION No. 6244.

IN THE MATTER OF THE APPLICATION OF HOLLISTER WAREHOUSE
 COMPANY, A CORPORATION, FOR PERMISSION TO RENEW A CER-
 TAIN PROMISSORY NOTE AND TO EXECUTE A MORTGAGE OR
 DEED OF TRUST TO SECURE PAYMENT OF THE NOTE.

Application No. 4458.

Decided April 11, 1919.

Applicant granted permission to issue a renewal note in the sum of twenty-five thousand dollars and to execute a mortgage securing same.

Thomas E. O'Donnell, for Applicant.

MARTIN, Commissioner.

OPINION.

Hollister Warehouse Company asks permission to issue its one-day 6 per cent note to the Bank of Italy for the principal sum of \$25,000.00 and to execute to D. M. Patterson a mortgage to secure the payment of the note. A copy of the proposed mortgage is attached to the petition herein and marked Exhibit "E."

In its annual report, applicant reports its asset and liability accounts as of December 31, 1918, as follows:

Asset Accounts.

Cost of plant, buildings, etc.....	\$45,033 81
Equipment	1,562 14
Liberty bonds	301 00
Cash	538 75
Notes receivable	374 64
Accounts receivable	18,037 86
Material and supplies	1,003 29
Miscellaneous, accrued storage	686 03
Unamortized discount on capital stock	25,000 00
Deficit	2,380 30
 Total asset accounts	 \$93,917 42

Liability Accounts.

Capital stock	\$50,000 00
Notes payable	37,500 00
Miscellaneous accounts payable	5,479 92
Matured interest	937 50
 Total liability accounts	 \$93,917 42

All of the \$50,000.00 of outstanding stock, excepting four shares (\$400.00) necessary to qualify directors, is owned by W. P. Steinbeck.

Applicant on June 16, 1915, issued its one-day 7 per cent \$25,000.00

note to the Bank of Hollister. The Bank of Hollister has assigned the note to the Bank of Italy. The holder of the note insists on a renewal or immediate payment. The bank is willing to accept a 6 per cent renewal note. Applicant reports that it is not in a position to pay the \$25,000.00 note at this time and therefore asks permission to issue a renewal note.

I herewith submit the following form of order:

ORDER.

Hollister Warehouse Company having applied to the Railroad Commission for permission to issue a note and execute a mortgage, a public hearing having been held and the commission being of the opinion that this application should be granted,

It is hereby ordered that Hollister Warehouse Company be and it is hereby granted authority to issue to the Bank of Italy its one-day 6 per cent note for the principal sum of \$25,000.00, and to secure the payment of said note by the execution of a mortgage, said mortgage to be substantially in the same form as the mortgage attached to the petition herein and marked Exhibit "E."

The authority herein granted is upon the following conditions and not otherwise:

1. The note herein authorized shall be issued only for the purpose of renewing and refunding the \$25,000.00 note and indebtedness referred to in the petition herein.

2. The approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said mortgage as to such other legal requirements, to which said mortgage may be subject.

3. Within thirty days after the issue of the note and the execution of the mortgage herein authorized, applicant shall file with the Railroad Commission a verified copy of the note and mortgage issued and executed pursuant to the authority herein granted.

4. The authority herein granted to issue a note shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

5. The authority herein granted to issue a note and execute a mortgage shall apply only to such note as may be issued and such mortgage as may be executed on or before June 15, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this eleventh day of April, 1919.

DECISION No. 6253.

IN THE MATTER OF THE APPLICATION OF B. H. STEFFEN, DOING BUSINESS UNDER THE FIRM NAME AND STYLE OF CHICO VECINO WATER COMPANY, FOR PERMISSION TO INSTALL METERS, CHARGE DEPOSIT FOR SAME, ESTABLISH A MINIMUM RATE AND REVISE THE PRESENT SCHEDULE OF CHARGES.

Application No. 4255.

Decided April 14, 1919.

METERS—INSTALLATION OF—CHARGE FOR.—The Railroad Commission can not properly require the consumers of a water utility to assume the burden of financing the utilities improvements and will not consider a utility's request that an order provide that consumers deposit five dollars towards the cost of installing meters, this amount to be accredited on water bills one year after deposit.

Revised schedule of meter rates established for water system of applicant adjacent to the city of Chico, such new schedule to become effective within twenty days.

B. H. Steffen, in propria persona.

Samuel J. Nunn, in propria persona.

Harry Dierup, in propria persona.

BY THE COMMISSION.

OPINION.

B. H. Steffen asks the commission to revise his present rates charged for serving domestic water in Chico Vecino, a part of Chico, Butte County, and to authorize the installation of meters on all services, and the collection of a deposit from consumers to aid in financing the installation of meters.

A public hearing in this proceeding was held before Examiner Westover at Chico on February 10, 1919.

In June, 1911, Mr. Steffen started a small water plant and has gradually increased it by extensions and taking over the business of a number of other small plants until he now serves about 260 consumers. Some 26 consumers were taken over from five other systems from time to time, and about 77 consumers from the system of J. A. McFeeley. The only equipment acquired in these instances was that acquired from J. A. McFeeley in March, 1917, for which Mr. Steffen paid \$3,900.00 cash. This equipment consisted of about 18,800 feet of 3-inch, 500 feet of 2½-inch, 950 feet of 2-inch and about 200 feet of 1½-inch mains, all of which were installed new between 1904 and 1915.

Mr. Steffen asks a readjustment of rates which will provide sufficient income to cover maintenance and operation, depreciation and a fair return on that portion of his system now used and useful, provided such rates are found to be reasonable for the present consumers

to pay. He wishes to meter the entire system, realizing that sales of water on a uniform metered rate will avoid discrimination and disputes as to water bills, and also greatly reduce pumping costs in producing his supply.

Mr. Steffen submits with his application a proposed schedule of measured and flat rates, including several minimum measured rates, depending upon the size of premises and number of plumbing fixtures. A variety of minimum charges would lead to confusion and is therefore not provided for in the rate schedule authorized herein. One uniform minimum charge for each $\frac{3}{4}$ -inch service connection on a system is found to work satisfactorily: bills for more than the minimum charge being based upon actual consumption, regardless of the size of the house or grounds in which the water is used.

Applicant presented no testimony relating to cost of the system as a whole or of operating and maintaining it, but leaves the valuation and estimated cost of operation entirely to the commission. Almost no records have been kept by him from which cost of system or maintenance or operation can be closely estimated. It will therefore be necessary to use estimated costs and water use data based on experience with other systems installed and operated under similar conditions, and similarly located. Another difficulty presented arises from the fact that nearly all of the distributing system, except that portion acquired from Mr. McFeeley, consists of pipes which were secondhand when installed, with no way to ascertain how long they had previously been in use. However, applicant testified that he cleaned, rattled and double-dipped all secondhand pipe before installing it, and that, in his judgment, it would last a hundred years under all the surrounding conditions. The only new pipe installed by him consists of a few lengths of 6-inch pipe used from time to time in filling in. The entire system, including the portion installed by applicant secondhand, consists of about 51,000 feet of mains varying from $1\frac{1}{2}$ to 6 inches.

Water is developed by electrically-driven pumps, from a dug well about 35 feet deep, and 70 feet of tunnels that have been drifted into the gravels that underlie the district, and is stored in a 22,000-gallon tank at an elevation of 80 feet; a 12,000-gallon tank at an elevation of 40 feet, and a 12,000-gallon tank placed on the ground. A new well is being drilled adjacent to the present dug well to assure an adequate supply of water for the future, but this well is not included in the appraisals hereinafter referred to, for the reason that it is not yet completed.

The territory served embraces about 320 acres in a number of tracts, usually divided into half-acre lots. Applicant testified that his distributing system is sufficient in capacity to serve at least a thousand

consumers, or more, and was extended into unproductive territory to serve remote consumers and to provide for future needs.

Applicant furnishes water to about a dozen consumers for which he makes no direct current collections. Two of these are in houses of an employee, three are applicant's own tenants, three are those to whom water is to be furnished during definite periods in consideration for labor performed on the system, two are served in consideration of getting small groups of consumers on his system, and in the case of Mr. McFeeley, the consideration was the lease of his well, tank and one pump during the season of 1918, this equipment not being included in the purchase price of Mr. McFeeley's distributing system. In all of these instances of so-called free water, the value of the water service has been considered in estimating applicant's income, and the value of the labor in estimating the cost of installing and operating the system.

Pursuant to stipulation of the parties, Mr. William Stava, one of the Railroad Commission's assistant hydraulic engineers, has prepared and filed an exhibit since the hearing, which shows the estimated actual cost of the system as installed new and secondhand to be \$25,479.00; that the estimated reproduction cost new at average prewar unit prices is \$33,330.00; the estimated cost of installing 230 additional meters at \$14.30 is \$3,481.00; that a suitable annuity for depreciation, including meters to be installed, is \$700.00, and that the estimated annual cost of maintenance and operation is \$3,800.00.

The fixing of a just amount to use as rate base and an equitable annuity for depreciation is made difficult because most of the mains were secondhand when installed, while the only testimony as to their probable life is that of Mr. Steffen, placing it at 100 years. We are convinced by testimony in many other cases, fixing the life of new pipe at one-third of that and less, that a reliance upon the estimate of Mr. Steffen in this particular would be unjust to him and result in a depreciation annuity far too low to meet the needs of this system as replacements and repairs become necessary. Under all the circumstances, we have concluded to treat the item of depreciation as we would if the pipe had been new when installed.

Considering the estimated investment in the system, the proportion of its capacity which is now used and useful and the large amount involved in metering the system, we conclude that the present consumers of this overbuilt system should pay a return on \$20,000.00, and have used that amount as a rate base. In arriving at an estimate of future cost of maintenance and operation, in the absence of adequate records of applicant's business, it has been necessary to base the estimate upon

the experience of other water utilities similarly situated. The estimated necessary annual charges are as follows:

Maintenance and operation	\$3,800 00
Depreciation annuity	700 00
Return on \$20,000.00	1,000 00
Total	\$5,500 00

Assuming that the water use, of which applicant has no adequate record, will be the same as that in other localities similarly situated, it is estimated that the rates established in the order herein will produce the above annual charges.

Applicant asks the commission to make an order requiring consumers to deposit with applicant \$5.00 each toward the cost of installing meters, such deposit to be repaid by applicant in water service, beginning one year after the deposit is made. By Decision No. 5832 in Case No. 1262, *Auld vs. Steffen*, applicant was ordered to meter his entire system on or before March 1, 1919. As it is the duty of each utility to provide all of the facilities by which the product is delivered to the premises of patrons, the financing of improvements such as the installation of meters rests primarily upon the utility, and in a case like this, where the installation of meters is not optional with the utility and the consumer, the commission can not properly require the consumer to assume the burden of financing a utility's improvements. In a number of instances, under the commission's orders, the utility and its consumers have each been allowed the option of installing meters for individual consumers, providing the consumer exercising the option of having a meter installed upon his premises might be required to deposit the cost of installation, receiving the amount so deposited in subsequent service, but this practice can not properly be applied under the circumstances found here, where the applicant has previously been ordered to install meters and the order remains in full force and effect, with no request on the part of applicant for a modification of the order. The rates set forth in the order provide for depreciation and a full return upon all meters installed.

ORDER.

B. H. Steffen, doing business under the name of Chico Vecino Water Company, having applied to the Railroad Commission for authority to establish a measured rate for water sold by him in that portion of Chico known as Chico Vecino, a public hearing having been held and the matter having been submitted and being now ready for decision,

The Railroad Commission hereby finds as a fact that the measured rates now in effect upon the water system of said Steffen are unjust,

unreasonable and noncompensatory and that the rates herein authorized are just and reasonable rates.

Basing its order on the foregoing finding of fact and on the further findings of fact contained in the opinion which precedes this order,

It is hereby ordered that B. H. Steffen, doing business under the name of Chico Vecino Water Company, be and he is hereby authorized to file with the Railroad Commission within twenty days from the date of this order, and thereafter to charge and collect the following schedule of monthly metered rates for water served by him through his system, to wit:

First 500 cubic feet, per month -----	\$1 00
Between 500 to 2,000 cubic feet, per 100 cubic feet -----	15
Over 2,000 cubic feet, per 100 cubic feet -----	12
Minimum monthly charge -----	1 00

Dated at San Francisco, California, this fourteenth day of April, 1919.

DECISION No. 6254.

IN THE MATTER OF THE APPLICATION OF J. A. McFEELY FOR PERMISSION TO SELL THE DISTRIBUTING WATER SYSTEM AT CHICO VECINO, CHICO, CALIFORNIA, TO B. H. STEFFEN.

Application No. 4254.

Decided April 11, 1919.

PUBLIC UTILITIES PROPERTY—SALE OF—APPROVAL.—The Railroad Commission can not ratify a sale of public utility property subsequent to date of transfer, which sale was made without first securing the necessary authorization required by law.

Applicant authorized to transfer a small water distributing system near Chico to B. H. Steffen, for the sum of \$3,900.00.

J. A. McFeely, in propria persona.

B. H. Steffen, in propria persona.

BY THE COMMISSION.

OPINION.

J. A. McFeely seeks authority in above application to convey to B. H. Steffen distributing system by which he served water in a portion of Chico, Butte County. Mr. Steffen joins in the application.

A public hearing upon the application was held by Examiner Westover at Chico in connection with hearing on Application No. 4255, in which Mr. Steffen asks the establishment of metered rates.

The distributing system in question consists of about 18,800 feet of 3-inch main, about 500 feet of 2½-inch main, about 950 feet of 2-inch

main and about 200 feet of 1½-inch main, which were installed new by Mr. McFeely between 1904 and 1915, and at the time of transfer served about 77 consumers at a flat rate of \$1.50 per month each, a rate which Mr. Steffen has since continued in effect. The property was transferred to Mr. Steffen in March, 1917, for a cash consideration of \$3,900.00. Since that time he has been operating it as part of his system, serving adjacent territory.

Mr. McFeely was unable to state the cost to him of the property transferred or its cost less accrued depreciation at the time of transfer, but it is clear from the testimony that cost less accrued depreciation was far in excess of the purchase price. Under the circumstances, it is unnecessary to make a valuation of the property. The reason given by Mr. McFeely for making the sale was the fact that Mr. Steffen was paralleling his system and taking over his consumers; and the further fact that he was and is engaged in other business requiring his time.

The Public Utilities Act provides means for protecting investors in public utility property against competition while they are furnishing adequate service at reasonable rates and the commission has applied the principle in numerous instances. When asked why he had not applied to the commission for protection applicant stated that at that time he did not know his rights or what provision had been made by law to safeguard them.

The testimony shows that Mr. Steffen has storage tanks at greater elevation than the storage on the McFeely system; that he is drilling an additional well and will be able to furnish to the consumers on the McFeely system sufficient water at adequate pressure and at rates no higher than those previously in effect, except as they may be modified by the rates established by the commission pursuant to Application No. 4254, already referred to.

The application requests the commission to ratify the sale made in March, 1917. There is no provision of law under which this can be done, as the Public Utilities Act provides that sales made without the previous approval of the commission are void. It will therefore be necessary to execute new transfers subject to the conditions found in the order.

ORDER.

J. A. McFeely having applied to the commission for ratification of the sale made to B. H. Steffen in March, 1917, of a water distributing system serving a portion of Chico, Butte County, in which application said Steffen joins, and a public hearing having been held thereon, and the matter having been submitted and being now ready for decision,

It is hereby ordered that J. H. McFeely be and he is hereby authorized and empowered to hereafter transfer and convey to B. H. Steffen

all of the water distributing system formerly operated by him in and about Chico, Butte County, said property consisting of about 18,800 feet of 3-inch main, 500 feet of 2½-inch main, about 950 feet of 2-inch main and about 200 feet of 1½-inch main.

The transfer hereby authorized is upon the following conditions, to wit:

1. This authority shall extend only to such public utility property as may be hereafter conveyed within thirty (30) days from date hereof.

2. Copy of said conveyance to be hereafter executed shall be filed with the commission.

3. Nothing herein contained shall be construed in any other proceeding before any court, tribunal or public authority as a finding of the value of said property for any purposes other than that of this proceeding.

Dated at San Francisco, California, this fourteenth day of April, 1919.

DECISION No. 6255.

IN THE MATTER OF THE APPLICATION OF COUSINS LAUNCH AND LIGHTER COMPANY FOR AN ORDER AUTHORIZING THE INCREASE OF FREIGHT AND PASSENGER RATES AND CHARGES FOR TOWING.

Application No. 4251.

Decided April 11, 1919.

TRANSPORTATION—DISCRIMINATION IN—FREE TRANSPORTATION.—A transportation company operating under the provisions of the Public Utilities Act can not transport, free of charge, persons or property which are not included in the various classes of persons or property entitled by law to receive such service, while at the same time having in effect a schedule of rates and collecting charges from others for such service.

Due to increases in cost of operation, applicant granted authority to put into effect, within twenty days, an increased schedule of rates for launch and lighterage service out of Eureka and points adjacent thereto.

A. J. Monroc, for Applicant.

Henry L. Ford and *Harry W. Falk*, for Protestants.

T. H. Selrage, for Henry Brault.

BY THE COMMISSION.

OPINION.

This is an application by H. H. Cousins, engaged in the business of towage and the transportation of passengers and freight on Humboldt Bay, under the fictitious name of Cousins Launch and Lighter Company, for authority to increase his passenger and freight rates and charges for towing and special charter trips.

A public hearing in this proceeding was held at Eureka on March 20, 1919, before Examiner Bancroft.

Prior to the hearing applicant filed an amendment to his application and, by leave of the commission, he filed a second amendment after the hearing.

The present and proposed rates of applicant are set forth in the following schedule:

Freight Rates.

	Present	Proposed
Lumber (including loading and unloading) per 1,000 feet B.M.	\$1 00	\$1 47½
Lumber (transportation service only) per 1,000 feet B.M.	50	50
Shakes per 1,000 (includes loading and unloading)	40	40
Shingles per 1,000 (including loading and unloading)	07½	10
Wood per cord (includes loading and unloading)	1 00	1 35
Merchandise per 100 pounds	None	10
Minimum charge	None	15

Towing Charges.

Launches per hour (5 net tons)	2 00	3 00
Launches per hour (over 5 net tons)	3 00	4 00

Passenger Fares.

Between Eureka and Rolph one way	15	15
Round trip	25	25
Commutation ticket	2 00	3 00

Special Launch Between Eureka and Rolph--

7.00 a.m. to 5.00 p.m., per trip	\$1 50
5.00 p.m. to 7.15 p.m., per trip	2 00
7.15 p.m. to 8.30 p.m., per trip	2 50
8.30 p.m. to 9.30 p.m., per trip	3 00

After 9.30 p.m., 50 cents additional.

No rates now in effect.

Special Launches.

(Proposed.)

Between Eureka and	7.00 a.m. to 5.00 p.m.	5.00 p.m. to 7.15 p.m.	7.15 p.m. to 8.30 p.m.	8.30 p.m. to 9.30 p.m.	Additional after 9.30 p.m.
Samoa	\$1 50	\$2 50	\$3 00	\$3 50	\$0 50
Little River wharf	2 00	3 00	4 00	4 50	75
Arcata	3 00	4 50	5 50	6 00	50
Fields Landing	6 00	6 50	7 00	7 50	75

No similar rates in effect.

In addition to these launch rates to Samoa, Little River wharf, Arcata and Fields Landing, which are to be observed as a minimum charge, applicant proposes the following one way and round trip fares, to be applied when the total number of passengers carried at these fares would exceed the minimum launch charge:

Between Eureka and	One way	Round trip
Samoa	\$0 20	\$0 40
Little River wharf	20	40
Arcata	40	80
Fields Landing	40	80

There is no regular service between these points and the boats are only operated when traffic offers.

The so-called monthly commutation ticket is not a commutation ticket at all, but a sixty-two trip ticket for passage between Eureka and Rolph on the 7.15 and 7.25 a.m. boats and from Rolph to Eureka on the 4.55 p.m., with no limit as to the date of expiration. This rate was established primarily for the benefit of the workmen at the Rolph shipyards. If any portion of this ticket is not used, the holder of same may turn in the unused portion and receive a pro rata refund.

Apparently applicant has failed to realize the responsibilities of a public utility or the fact that it is necessary to conduct his business in accordance with certain rules and regulations. In other words, applicant seems to be entirely unfamiliar with many of the terms and provisions of the Public Utilities Act. While he has apparently succeeded in giving satisfaction to his patrons, he has been guilty of a number of minor discriminations, such as giving passes to the superintendent, the head clerk and four office employees of the Rolph shipyards; charging rates for the transportation of longshoremen from Eureka to the point where vessels were loading or unloading based upon longshoremen's wages, such rates varying with the different schedules of wages paid. Applicant has also been carrying packages from Eureka to Rolph free of charge, as a matter of accommodation to some of his patrons, while he has made a charge for transporting similar articles between the same points for Mr. P. B. Tierney, who conducts a small grocery business at Rolph. However, in justice to applicant, it should be stated that the charge made to Mr. Tierney was never complained of or claimed by the latter to be excessive. As pointed out to applicant at the hearing, all of these irregularities and discriminations must be discontinued immediately.

Applicant submitted letters from Northern Redwood Lumber Company, Pacific Lumber Company, Little River Redwood Company, McKay & Company, Dolbeer & Carson Lumber Company and Holmes Eureka Lumber Company, representing all of applicant's regular patrons for the transportation of lumber, consenting to the proposed increase. He also submitted a statement for the year 1918, showing total receipts of \$27,404.74 and total expenses of \$26,473.09. In this statement, however, no allowance is made for depreciation or return upon investment, nor for expenses in connection with the operation of the "Edna C," the largest vessel operated by applicant, which is used for carrying the shipyard employees between Eureka and Rolph. It is apparent from the testimony that applicant is not making operating expenses under the present schedule of rates, the increased costs of operation since January 1, 1917, being from 50 per cent to 60 per cent.

Under all the circumstances, we are of the opinion that applicant should be permitted to increase his rates, as hereinafter set forth.

ORDER.

H. H. Cousins, doing a transportation and towage business on Humboldt Bay, under the fictitious name of Cousins Launch and Lighter Company, having applied to the Railroad Commission for authority to increase his passenger and freight rates and charges for towing and special charter trips, a public hearing having been held and the commission being fully advised in the premises,

The Railroad Commission hereby finds as a fact that the present rates are insufficient and noncompensatory and that the rates hereinafter authorized are just and reasonable rates.

Basing its order on the foregoing finding of fact and upon the further findings of fact contained in the opinion which precedes this order,

The Commission hereby authorizes said H. H. Cousins, doing business under the fictitious name of Cousins Launch and Lighter Company, to establish the following rates:

Freight Charges.

Lumber (including loading and unloading) per 1,000 B.M.	\$1 47½
Lumber (transportation service only) per 1,000 B.M.	50
Shakes (including loading and unloading) per 1,000 B.M.	40
Shingles (including loading and unloading) per 1,000	10
Wood (including loading and unloading) per cord	1 35
Merchandise, per 100 pounds	10
Merchandise, minimum charge	15

Towing Charges.

By launches of not over 5 gross tons, per hour	3 00
By launches of over 5 gross tons, per hour	4 00

Passenger Fares.

Between Eureka and Rolph:

One way	15
Round trip	25
Ticket good for 62 trips	3 00
Between 7.00 a.m. and 5.00 p.m., per trip	1 50
Between 5.00 p.m. and 7.15 p.m., per trip	2 00
Between 7.15 p.m. and 8.30 p.m., per trip	2 50
Between 8.30 p.m. and 9.30 p.m., per trip	3 00
Between 9.30 p.m. and 7.00 a.m., per trip	3 50

Special Launches.

Between Eureka and	7.00 a.m. to 5.00 p.m.	5.00 p.m. to 7.15 p.m.	7.15 p.m. to 8.30 p.m.	8.30 p.m. to 9.30 p.m.	9.30 p.m. to 7.00 a.m.
Samoa	\$1 50	\$2 50	\$3 00	\$3 50	\$4 00
Little River wharf	2 00	3 00	4 00	4 50	5 25
Arcata	3 00	4 50	5 50	6 00	6 50
Fields Landing	6 00	6 50	7 00	7 50	8 25

Provided, that said H. H. Cousins shall file with the Railroad Commission within twenty (20) days after the receipt of a copy of this order a schedule of such rates and charges.

Dated at San Francisco, California, this fourteenth day of April, 1919.

DECISION No. 6256.

IN THE MATTER OF THE APPLICATION OF UKIAH GAS COMPANY, A CORPORATION, FOR CHANGE IN SCHEDULE OF RATES.

Application No. 4358.

Decided April 11, 1919.

BY-PRODUCTS--USE OF BY UTILITIES.—Where it is shown that a public utility could make a considerable saving in operating expenses by the proper use of a by-product, such amount will not be included in the total of operating expenses for computing a rate base in connection with an application to increase rates.

Applicant, generating and distributing gas in and adjacent to the town of Ukiah, granted permission to put into effect an increased schedule of rates for meter readings made on and after April 15, 1919.

Charles M. Mannon, for city of Ukiah.

George H. Eckert, for Applicant.

BY THE COMMISSION.

OPINION.

This is an application of the Ukiah Gas Company requesting authority to increase its rates for gas service. Applicant alleges that unless relief is granted it will be unable to earn sufficient revenue to meet operating expenses, due to increases in oil and labor. It further alleges that the contract under which it has been purchasing oil at \$1.40 per barrel expired January 1, 1919, after which date it will have to pay \$2.60 for oil.

Ukiah Gas Company owns and operates a gas plant located at Ukiah and distributes and sells gas throughout this town and suburbs.

On July 3, 1918, under Decision No. 5540, this commission granted applicant an increase in gas rates effective for meter readings taken on and after August 1, 1918. The rates as granted under this decision and as now in effect are as follows:

First 500 cubic feet or less per meter per month.....	\$1 00 per M. cubic feet
Next 2,500 cubic feet per meter per month	1 70 per M. cubic feet
Next 5,000 cubic feet per meter per month	1 50 per M. cubic feet
Next 7,000 cubic feet per meter per month	1 30 per M. cubic feet
All over 15,000 cubic feet per meter per month	1 20 per M. cubic feet

The property value as allowed in Decision No. 5540, and brought up to January 1, 1919, from applicant's book accounts is as follows:

Property as of January 1, 1918	\$35,996 55
Additions and betterments January 1, 1918, to January 1, 1919	22 20
Property as of January 1, 1919	\$36,018 75

During the year 1918, applicant's gas sales amounted to 6,291,200 cubic feet, in the manufacture of which 2,352 barrels of oil were used. Revenue from gas sales amounted to \$10,277.00 and expenses to \$8,817.00, leaving \$1,460.00, or 4.05 per cent, for interest and depreciation. It was estimated that the increase in rates granted under Decision No. 5540 would return an average revenue of \$1.86 per thousand cubic feet of gas sold. During the last six months during which the rates have been in effect, the revenue per thousand has actually been \$1.83. And during this six months period applicant has realized approximately 6 per cent upon its investment.

Upon the present rates, assuming that the sales for 1919 would be the same as during 1918, and with the increased price of oil to \$2.60 per barrel, applicant will not be able to meet operating expenses.

To place applicant on the same financial basis as that of the last six months of 1918, applicant's rates would have to be increased 41 cents per thousand cubic feet, providing no decrease in sales followed.

The actual loss of business to applicant during the last six months of 1918, resulting from the increase in rates granted in July, 1918, has amounted to approximately 230,000 cubic feet of gas and 20 consumers.

In the manufacture of gas, applicant has not, during the last year, made efficient use of lampblack produced as a by-product. If applicant had used this lampblack as a fuel in the generation of steam instead of oil, the result would have been a saving of approximately \$250.00. On the basis of the new oil price, the failure to use lampblack will increase the operating cost by an amount of \$470.00 for the year of 1919, and this expense can not be considered by the commission a just operating expense.

In our opinion, applicant is entitled to an increase in its gas rates at this time, but an increase in excess of that herein granted, under existing conditions, would probably result in a loss of business which would more than offset the gain in revenue to be obtained from the increased rates.

The rates established in the order following, in our opinion, will net applicant an average price of \$2.20 per thousand cubic feet, and assuming a decrease in sales during 1919 equal to that which resulted from the increase allowed by this commission in July, 1918, under Decision No. 5540, applicant will realize approximately 4 per cent upon its investment for interest and depreciation.

ORDER.

Ukiah Gas Company having applied to increase its rates, hearings having been held, the matter submitted and now ready for decision, the Railroad Commission finds as a fact that the existing rates under present conditions of cost of operation are unjust and unreasonable and that the rates herein established are just and reasonable.

Basing its order on the foregoing findings of fact and upon the other findings of fact contained in the opinion which precedes this order,

It is hereby ordered that the Ukiah Gas Company be and it is hereby authorized to charge and collect the following rates for gas based on all regular meter readings taken on and after April 15, 1919:

First 400 cubic feet or less per meter per month, \$1.00.
 Next 2,600 cubic feet per meter per month \$2.10 per M. cubic feet.
 Next 5,000 cubic feet per meter per month, \$1.70 per M. cubic feet.
 Next 7,000 cubic feet per meter per month, \$1.50 per M. cubic feet.
 All over 15,000 cubic feet per meter per month, \$1.25 per M. cubic feet.

Provided, that Ukiah Gas Company shall file with the Railroad Commission within ten days of the date of this order the rates herein established.

Dated at San Francisco, California, this fourteenth day of April, 1919.

DECISION No. 6262.

D. M. CLARK, MARGARET GILBERT SMITH AND T. RILEY,

vs.

TULARE LAKE WATER COMPANY, A CORPORATION.

Case No. 1220.

Decided April 15, 1919.

JURISDICTION—MUTUAL WATER COMPANIES.—When the by-laws of a water distributing company provide that water shall be delivered to stockholders only and the correspondence and minutes of the organization show that its officers have strictly followed such policy, it is held that such a company is not a public utility but a mutual water company within the meaning of section 2 (*bb*) of the Public Utilities Act and chapter 80, laws of 1913, and that the commission has no jurisdiction in the matter. Complaint dismissed.

Geo. H. Woodruff, and Clyde C. Shoemaker, for Complainants.

Davis, Kemp & Post, for Defendant.

BY THE COMMISSION.

OPINION.

Complainants demand service of irrigation water on their lands consisting of 320 acres each, alleging that defendant was organized in 1912 for the purpose of constructing an irrigation system to irrigate 57

sections of land in Kings and Tulare counties with water from Tulare Lake; that defendant conveys and distributes water upon the demand of landowners or their tenants; that complainants have demanded water from defendant and are willing to pay reasonable rates, but that defendant refuses to serve them. The answer alleges that defendant serves only its stockholders and denies that water is served at fixed rates. It admits that there is an ample supply in Tulare Lake, but denies that it has sufficient capacity to serve the lands of complainants in addition to those of its stockholders.

As a separate defense the answer alleges that defendant is a mutual water corporation organized not for profit but for the purpose of delivering water for irrigation to its stockholders at cost; that its by-laws, rules and regulations provide that its water shall be delivered only to the owners of its capital stock, said stock being made appurtenant to certain lands described upon its certificates of stock in the proportion of one share of stock per acre of land, and that water shall be distributed at cost; that defendant has always been conducted as a mutual water corporation distributing water at cost to its stockholders in accordance with its by-laws, rules and regulations, water being sold only to stockholders and on land having stock appurtenant thereto and that it has no authority under its charter, by-laws, rules or regulations or from any other source to sell or distribute water to any persons other than its stockholders or for any lands not having its stock appurtenant thereto; that complainants are not stockholders in defendant corporation and their said lands have none of defendant's stock appurtenant thereto; that defendant is not a public utility and is not subject to the jurisdiction, control or regulation of the commission.

Public hearings in the case were held by Commissioner Gordon at Hanford, and by Examiner Westover at Los Angeles. The matter has just been submitted.

It appears from the testimony that defendant served water to several different persons when they were not stockholders of defendant and charged them the same rate per acre that it charged its stockholders. Most of those so served are parties to a contract dated April 3, 1912, between Jesse M. Hansen et al. as first parties and F. P. Newport, defendant's predecessor in interest, as second party. First parties had previously leveed their lands lying south of Tule River and east of Tulare Lake between the lake and the lands defendant irrigates. The borrow pit from which materials for the levee had been taken was used by them to lead water from Tulare Lake to their lands. Under the contract the landowners agreed to grant a right of way along the borrow pits for defendant's main canal and grant a water right on Tule River, appropriated December 5, 1911, by Hansen and others, providing they might retain prior right to water in the canal developed

from the lake or river with which to irrigate their lands, the cost of pumping water to be divided in proportion to lands irrigated.

A contract under date of August 31, 1916, was made by defendant with A. Heyer, under which the defendant received the use of Mr. Heyer's canal adjoining his land for a period of years, defendant to sell water to him or his tenant for his land at cost of production or the same price enjoyed by defendant's stockholders.

Under these contracts water was served upon the lands in question at cost prorated with defendant's stockholders on the basis of acreage actually irrigated.

Long prior to the filing of the complaints, the contracts above described had been annulled and defendant's stock issued to landowners who were parties to the contract, in consideration of their surrendering their rights under the contracts. At the time the complaint was filed defendant was serving only its stockholders at cost, and had been doing so for a long time prior thereto. Water served to others during the war emergency under the law did not change defendant's mutual status.

Defendant was incorporated in 1912 by the owners of large bodies of lands as a mutual water company, for the purpose of distributing water among its stockholders at cost. Its by-laws provide that water shall not be sold, distributed nor delivered to others than holders of its capital stock, the stock to be made appurtenant to the land in the proportion of one share per acre. One by-law was amended on two occasions with the apparent purpose of providing that such water should be served at cost and was amended at the meeting of February 18, 1918, to provide that during any period at which the nation is at war, when the laws of the state permit, water might be sold at cost to those who were not stockholders, for the purpose of irrigating lands not having stock of defendant appurtenant to it.

Instructions were given to employees not to deliver the water under any conditions other than those above described, and correspondence and minutes of directors' meetings indicate a fixed policy in that regard and a persistent effort to limit service to its stockholders at cost.

In addition to service of water to those who were defendant's stockholders at the time the complaint was filed, complainants offered testimony tending to show service to Larsen and Heck, tenants on the land of complainant Clark, who never was a stockholder, and to Frank Smith, tenant on the land of Heyer. It appears from the testimony, however, that water used on the land of complainant Clark was purchased from Bayou Vista Ditch Company, a public utility, and conveyed through its canal and that of Kings County Canal Company, also a public utility, and used on the Clark land. Concerning the service to Mr. Smith, there is a conflict in the testimony as to whether

water was used on the Heyer land before Mr. Heyer became a stockholder, or on an adjoining section also farmed by Mr. Smith, the owners of which were stockholders at the time.

It is apparent that defendant is not a public utility but a mutual water company within the meaning of section 2 (*bb*) of the Public Utilities Act, and chapter 80, laws of 1913, and the commission has no jurisdiction in the matter.

ORDER.

Public hearings having been held in the above-entitled case, evidence presented and briefs filed, and it appearing to the commission that defendant is a mutual water company not subject to the jurisdiction of the Railroad Commission.

It is hereby ordered that the complaint be and it is hereby dismissed.

Dated at San Francisco, California, this fifteenth day of April, 1919.

DECISION No. 6268.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING IT TO WITHDRAW AND CANCEL ITS ELECTRIC RATE SCHEDULE No. 123 FOR CEMENT MANUFACTURING POWER SERVICE.

Application No. 4357.

Decided April 16, 1919.

Applicant applies for and is granted permission to withdraw and cancel electric rate schedule No. 123, being rates to cement manufacturing establishments, such class of business agreeing to receive service under regular service schedules of applicant.

Charles P. Catten, for Applicant.

Morrison, Dunne & Brobeck, by *H. H. Phleger*, for Santa Cruz Portland Cement Company and Standard Portland Cement Corporation.

R. B. Henderson, for Pacific Portland Cement Company.

LOVELAND, Commissioner.

OPINION.

In this proceeding Pacific Gas and Electric Company, hereinafter at times referred to as applicant, requests authority to withdraw and cancel its electric rate schedule No. 123 (Original Sheet C. R. C. No. 29-E), for reasons which will appear hereinafter. A hearing was held in San Francisco on April 10, 1919, the matter submitted and is now ready for decision.

It appears that on or about April 1, 1911, Pacific Gas and Electric Company entered into certain contracts with Santa Cruz Portland Cement Company, Standard Portland Cement Corporation and Pacific Portland Cement Company, hereinafter referred to as the cement companies, for a supply of electric energy to their cement manufacturing plants, which contracts are on file with the Railroad Commission and which set forth certain rates and minimum charges for said electric service. Subsequently, in April and June, 1916, supplementary agreements were entered into between the parties modifying the minimums of said contracts. On October 15, 1912, Pacific Gas and Electric Company filed with the Railroad Commission its Schedule No. 123 for cement manufacturing power service, which schedule sets forth the same rates for electricity as named in the previously negotiated contracts, and since the cement companies herein were at that time, and have since been, the only consumers of electricity for cement manufacturing power service, which service had been previously covered by said contracts, said schedule was not in actual use. There was, however, a difference in the minimum charges for service in the schedule as compared with the minimum charges of the contracts.

By the terms of Decision No. 5519, dated June 27, 1918 (Volume No. 15, Opinions and Orders of the Railroad Commission of the State of California, page No. 886), Pacific Gas and Electric Company was ordered to place upon schedule rates all consumers who were served under deviation contracts where the rates named in such contracts differed from applicable schedules on file. In accordance with the terms of this order, the cement companies were thereupon placed upon said Schedule No. 123, and have since been charged in accordance therewith. It now develops that Schedule No. 123, on account of its lack of definiteness, is not acceptable to the cement companies, and it further appears that there are on file with the Railroad Commission other schedules for electric service which are applicable to the cement manufacturing service, and the rates of which are satisfactory to the cement companies.

Previous to the hearing in this matter, it was agreed upon by applicant and the cement companies that the contracts of 1911, as modified by agreements of 1916, should be canceled as of March 31, 1919, and that thereafter the cement companies would purchase power under the terms of one or more of the regularly filed electric rate schedules of applicant. To cover this understanding applicant amends its prayer to the effect that said contracts be permitted to lapse as of March 31, 1919, and to withdraw and cancel said Schedule No. 123, as of the same date.

I recommend that the request as amended be granted and submit the following form of order:

ORDER.

Pacific Gas and Electric Company having applied to the Railroad Commission for authority to withdraw and cancel its electric rate schedule No. 123 for cement manufacturing power service, a hearing having been held, the matter submitted and ready for decision, the Railroad Commission of the State of California hereby finds that such cancellation and withdrawal is reasonable and proper, and basing its order on this fact and on the other findings of fact contained in the opinion which precedes this order.

It is hereby ordered that Pacific Gas and Electric Company be and is hereby authorized to cancel and withdraw its electric rate schedule No. 123 (C. R. C. Original Sheet No. 29-E) as of March 31, 1919, and to thereafter charge for electricity for cement manufacturing power service in accordance with its other regularly filed schedules of rates and surcharges authorized by the Railroad Commission.

The foregoing opinion and order is hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this sixteenth day of April, 1919.

DECISION No. 6269.

IN THE MATTER OF THE APPLICATION OF FRESNO CANAL AND LAND CORPORATION FOR AUTHORITY TO INCREASE ITS RATE OF CHARGE FOR RENTAL OR NONCONTRACT WATER.

Application No. 4325.

Decided April 16, 1919.

Present conditions warranting, applicant is authorized to increase its noncontract or rental rate for water delivered for irrigation purposes from \$1.00 to \$1.50 per acre per year.

Short & Sutherland, by *W. A. Sutherland*, for Applicant.

BY THE COMMISSION.

OPINION.

This is an application by Fresno Canal and Land Corporation for authority to increase its noncontract, or so-called rental service, rate for water for irrigation from \$1.00 to \$2.00 per acre per year.

Public hearings in this proceeding were held in Fresno on February 28 and March 31, 1919, before Examiner Bancroft.

From the evidence it appears that applicant is furnishing water for irrigation purposes to 213,550 acres of land in Fresno County, of

which only 2,450 acres are supplied under the rental or noncontract service, the remainder being served under contracts between the Fresno Canal and Irrigation Company, applicant's predecessor in interest, and the owners of said land. It further appears that the lands furnished with the noncontract service are widely scattered throughout the territory served and that the cost of such service is far in excess of the cost of service per acre on lands irrigated under contract. One of the additional items of cost is due to the fact that applicant has to have every tract of land irrigated under the noncontract service examined before the water is furnished, in order to determine the number of acres to be supplied; and thereafter during the irrigation season, it is necessary to have these tracts re-examined from time to time, to prevent more than the proper amount of land being irrigated.

Although notice of the hearing in this matter was duly published in a newspaper of general circulation in the territory affected by this proposed increase, no one appeared to protest against the same.

Under all the circumstances, we are of the opinion that applicant should be permitted to increase the rate in question from \$1.00 to \$1.50 per acre per year.

ORDER.

Fresno Canal and Land Corporation having applied to the Railroad Commission for authority to increase its noncontract or so-called rental rate for water for irrigation purposes from one dollar (\$1.00) to two dollars (\$2.00) per acre per year, public hearings having been held on said application and the commission being fully advised in the premises,

The Railroad Commission hereby finds as a fact that the present rate of said Fresno Canal and Land Corporation is unreasonable and noncompensatory and that the rate herein authorized is a just and reasonable rate.

Basing its order on the foregoing finding of fact and on the further findings of fact contained in the opinion which precedes this order,

It is hereby ordered that Fresno Canal and Land Corporation be and it is hereby authorized to establish and charge a rate of one dollar and fifty cents (\$1.50) per acre per year for its noncontract or so-called rental service of water for irrigation purposes, said new rate to become effective upon the filing of the same, provided it is filed with this commission within twenty (20) days from the effective date of this order.

Dated at San Francisco, California, this sixteenth day of April, 1919.

DECISION No. 6270.

IN THE MATTER OF THE APPLICATION OF THE SOUTHERN CALIFORNIA GAS COMPANY FOR AN ORDER PRELIMINARY TO THE ISSUE OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY RELATIVE TO THE EXERCISE OF RIGHTS OF FRANCHISE TO BE SECURED FOR THE DISTRIBUTION OF GAS IN RIVERSIDE COUNTY.

Application No. 4364.

Decided April 16, 1919.

A. E. Peat, for Applicant.

Z. T. Bell, for Citrus Belt Gas Company.

BRUNDIGE, *Commissioner*.

OPINION.

This is an application by Southern California Gas Company for an order preliminary to the issuance of a certificate of public convenience and necessity relative to the exercise of the rights of a franchise for the laying of mains and the distribution of gas in Riverside County.

A public hearing was held in Los Angeles on March 5, 1919, and the matter thereupon submitted.

Southern California Gas Company has heretofore laid mains and distributed gas under the rights of a fifty-year franchise granted by the board of supervisors of Riverside County by Ordinance No. 107, dated August 10, 1911. Said franchise contained provisions requiring the gas company to complete the construction of its system thereunder within a period of three years from the effective date thereof and that upon the expiration of said three years any further construction and extension would be made only after obtaining authority from the board of supervisors of Riverside County. This three-year period has elapsed and Southern California Gas Company has made application to the board of supervisors of Riverside County for a franchise which by its terms would give it the right not only to maintain and operate, but likewise to lay and construct additions to its distributing system during the entire life of the proposed franchise. Copy of said application to the board of supervisors of Riverside County and a map of the county of Riverside showing the territory which is to be covered by the proposed franchise was filed with the application.

Up to the time of the hearing said franchise had not been granted, but subsequently, on the fifth day of March, 1919, the board of supervisors of Riverside County in compliance with the statutes of the state of California duly passed its ordinance No. 139 wherein and whereby

Southern California Gas Company was granted a franchise for a period of fifty years to lay and maintain gas pipes in all public highways within the limits of the county of Riverside, a copy of which ordinance has been duly filed with the Railroad Commission. Thereafter, on the twelfth day of March, 1919, the board of directors of the Southern California Gas Company by resolution duly stipulated that it, its successors and assigns will never claim before the Railroad Commission, or any court, or other public body, a value for the rights and privileges of the franchise granted under said Ordinance No. 139 of the county of Riverside, in excess of the actual cost to said Southern California Gas Company of acquiring said franchise which cost is stated in said stipulation to be the sum of \$260.00. This stipulation has been duly filed with the Railroad Commission and is in form satisfactory to this commission. Southern California Gas Company states that in the exercise of this franchise it will not invade any territory now served by any other gas utility.

Although the application herein asks only for an order preliminary to the issuance of a certificate of public convenience and necessity, the franchise has now been duly granted and the required stipulation as to its claim for the value thereof has been filed by Southern California Gas Company. I shall therefore make the final order herein.

I find as a fact that public convenience and necessity require the exercise by Southern California Gas Company of the rights and privileges of the franchise granted to it by Ordinance No. 139 of the county of Riverside and submit the following form of order:

ORDER.

Southern California Gas Company having applied to the Railroad Commission for a certificate of public convenience and necessity for the exercise of the rights and privileges under a franchise of the county of Riverside, a hearing having been held, a copy of said franchise and a stipulation as to its claim for the value thereof having been duly filed by Southern California Gas Company in form satisfactory to this commission,

The Railroad Commission of the state of California hereby declares that public convenience and necessity require and will require the exercise by Southern California Gas Company of the rights and privileges of the franchise granted it by Ordinance No. 139 of the county of Riverside as passed and approved on March 5, 1919, by the board of supervisors of said county of Riverside.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this sixteenth day of April, 1919.

DECISION No. 6271.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY FOR AN ORDER PRELIMINARY TO THE ISSUE OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY RELATIVE TO THE EXERCISE OF RIGHTS OF FRANCHISE TO BE SECURED FOR THE DISTRIBUTION OF GAS IN SAN BERNARDINO COUNTY.

Application No. 4400.

Decided April 16, 1919.

A. E. Peat, for Applicant.

Z. T. Bell, for Citrus Belt Gas Company.

BRUNDIGE, *Commissioner*.

OPINION.

This is an application by Southern California Gas Company for an order preliminary to the issuance of a certificate of public convenience and necessity relative to the exercise of the rights of a franchise for the laying of mains and the distribution of gas in San Bernardino County.

A public hearing was held in Los Angeles on March 5, 1919, and the matter thereupon submitted.

Southern California Gas Company has heretofore laid mains and distributed gas under the rights of franchises granted by the board of supervisors of San Bernardino County, by Ordinance No. 118, dated September 20, 1906, for a term of 49 years, and by Ordinance No. 145, dated August 3, 1911, for a term of 50 years. Said franchises contain provisions requiring the gas company to complete the construction of its system thereunder within a period of three years from the effective dates thereof, and that after the expiration of said three years any further construction and extension could be made only after obtaining authority from the board of supervisors of San Bernardino County. These three-year terms have elapsed and Southern California Gas Company has made application to the board of supervisors of San Bernardino County for a franchise which by its terms would give it the right not only to maintain and operate but likewise to lay and construct additions to its distributing system during the entire life of the proposed franchise. Copy of said application to the board of supervisors of San Bernardino County and a map of the county of San Bernardino showing the territory which is to be covered by the proposed franchise was filed with the application.

At the time of the hearing said franchise had not been granted, but subsequently on the seventeenth day of March, 1919, the board of supervisors of San Bernardino County in compliance with the statutes

of the state of California duly passed its Ordinance No. 185 wherein and whereby Southern California Gas Company was granted a franchise for a period of fifty years to lay and maintain gas pipes in all public highways within the limits of the county of San Bernardino, a copy of which ordinance has been duly filed with the Railroad Commission. Thereafter, on the eighteenth day of March, 1919, the board of directors of the said Southern California Gas Company by resolution duly stipulated that it, its successors and assigns will never claim before the Railroad Commission or any court or other public body a value for the rights and privileges of the franchise granted under said Ordinance No. 185 of the county of San Bernardino in excess of the actual cost to said Southern California Gas Company of acquiring said franchise, which cost is stated in said stipulation to be the sum of \$275.00. This stipulation has been duly filed with the Railroad Commission and is in form satisfactory to this commission. Southern California Gas Company states that in the exercise of this franchise it will not invade any territory now served by any other gas utility.

Although the application herein asks only for an order preliminary to the issuance of a certificate of public convenience and necessity, the franchise has now been duly granted and the required stipulation as to its claim for the value thereof has been filed by Southern California Gas Company. I shall, therefore, make the final order herein.

I find as a fact that public convenience and necessity require the exercise by Southern California Gas Company of the rights and privileges of the franchise granted to it by Ordinance No. 185 of the county of San Bernardino and submit the following form of order:

ORDER.

Southern California Gas Company having applied to the Railroad Commission for a certificate of public convenience and necessity for the exercise of the rights and privileges under a franchise of the county of San Bernardino, a hearing having been held, a copy of said franchise and a stipulation as to its claim for the value thereof having been duly filed by Southern California Gas Company in form satisfactory to this commission,

The Railroad Commission of the state of California hereby declares that public convenience and necessity require and will require the exercise by Southern California Gas Company of the rights and privileges of the franchise granted it by Ordinance No. 185 of the county of San Bernardino as passed and approved on March 17, 1919, by the board of supervisors of said county of San Bernardino.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this sixteenth day of April, 1919.

DECISION No. 6274.

IN THE MATTER OF THE APPLICATION OF THE EAST SIDE CANAL AND IRRIGATION COMPANY, A CORPORATION, FOR AUTHORITY TO INCREASE RATES.

Application No. 4135.

Decided April 17, 1919.

IRRIGATION SYSTEMS—OVERCONSTRUCTION—RATE BASE.—An irrigation plant constructed of a size sufficient to irrigate 50,000 acres, but which has been put to use for the irrigation of only 11,000 acres, can not expect to charge against such a small percentage of consumers rates which would provide a return on all of its capital expenditures.

SERVICE, ADEQUACY OF—RATE INCREASES.—The Railroad Commission will not consider the petition of a utility for an increase in rates when such utility was heretofore directed to improve its service but has failed to comply therewith. Irrigation rate of \$2.00 per acre per annum established, provided that if improvements in service are not immediately effected, applicant shall refund to consumers that portion of charges collected in excess of \$1.00 per acre per year.

James F. Peck and McWilliams & Hatfield, by R. L. McWilliams, for Applicant.

L. L. Dennett, for certain consumers.

J. D. Niman, in his own behalf.

BY THE COMMISSION.

OPINION.

This is the petition of East Side Canal and Irrigation Company for an increase of rates over the rates at present in effect, which were established by this commission on March 31, 1914.

Hearings in this proceeding were conducted by Examiner Encell at Newman on October 21, 1918, and at San Francisco on February 10, 1919.

The rate at present charged by applicant is \$1.00 per acre per year for water furnished to consumers at the banks of the main East Side Canal and Collier Extension and transported by consumers through lateral systems to their lands. The company prays that this rate be increased to \$2.00 per acre per annum.

The petition recites that the applicant served some 9,800 acres of land during the year 1917, and Exhibit "C" of applicant discloses that this acreage was increased to 10,006 during the year 1918.

It is claimed by applicant that the operating expense during 1917 was \$18,894.00 and for the first nine months of 1918, \$7,234.00, and that the total income collected on account of these years' operation is respectively \$9,841.00 for 1917 and \$10,486.00 for 1918.

Applicant contends that a fair allowance for maintenance and operation expense for 1919 is \$17,323.00, and that this sum should be included in the annual charges.

The annual depreciation of the property of the company at the time of the establishment of rates by this commission was estimated at \$1,050.00. The company asks that \$79.00 additional for property, added since the time of the former rate establishment, be included in the depreciation allowance.

In addition to the foregoing, it is asked that interest at the rate of 6 per cent per annum be provided on an investment of \$117,923.00. The aggregate annual charges indicated by the company total \$25,528.00. Assuming that the acreage watered will remain the same as in 1918, the granting of this application would provide returns amounting to \$20,012.00.

All previous actions involving this company and its public utility property have been made of record in this proceeding, and we will review briefly the points covered in former hearings and decisions of the commission.

The affairs of this company were first brought to the attention of this commission by complaint of W. D. Adams, filed during 1912. Preliminary hearing in this matter made it apparent that the entire matter of rates and practices of the company must necessarily be given consideration for determination of the Adams complaint, and the commission initiated proceedings under Case No. 309. This was decided March 31, 1914, the commission finding the company entitled to annual charges as follows:

Maintenance and operation.....	\$9,300 00
Annual depreciation	1,050 00
Interest at 6 per cent on \$110,000.00.....	6,600 00
Total.....	\$16,950 00

It was noted in passing upon the property that the irrigating plant was built of sufficient size to irrigate 50,000 acres and had been put to use for the irrigation of only 11,000 acres, and that, therefore, it would be unjust to charge against the then consumers all of the capital expenditure. Certain rules and regulations were provided. At the time it was considered possible that the laterals might be considered the property of the public utility and the alternative rate of \$1.50 per acre was to be established, provided the utility was determined to be owner and should operate the lateral system.

The records show that there has been, since the time of the decision above referred to, much complaint against the public utility alleging inadequate service and discriminatory practice in the distribution of water. This culminated in a formal complaint by the Stevinson Water Users Association, John D. Carlson and J. E. Mount, against both the applicant herein and James J. Stevinson, a corporation. In its Decision No. 4222, dated March 31, 1917, the commission found that

it did not have jurisdiction over James J. Stevinson, a corporation, and directed that the East Side Canal and Irrigation Company proceed to remove sand and other foreign material obstructing its main canal, this having been the principal relief asked by complainants. As the record in this proceeding shows, the East Side Canal and Irrigation Company failed to fulfill the order of the commission even though there were further formal hearings and supplemental orders directing further and more specifically that the obstruction should be removed.

At the first hearing under this application, the hydraulic engineer of the commission and protestants made reference to the failure of the company to fulfill the commission's orders and to operate in accordance with the rules and regulations established by the commission, and stated that no increase of rates should be authorized until the company had complied fully with the commission's orders or satisfied the commission that the proper measures would be taken. At the most recent hearing it was established by applicant that a dredge had been purchased and was being installed in applicant's main canal; that an experienced dredgeman had been employed, and that this equipment would be kept in service until the canal was in proper condition. This appears sufficient warrant that the company will now be enabled to provide as adequate service as conditions permit.

Objection was made at the hearing to certain items of operating expense claimed by applicant, and it was set forth that the sum reported as the expense for 1918 included certain expenses which are not recurrent annually, and a portion of which should be charged to capital. Among these are the expenses for extensive repairs and construction of the so-called Sand Slough Waste Gates. The thorough cleaning of the canals which was made necessary by failure to adequately clean and repair in previous years, necessitated a much larger expenditure during 1918 than will occur in 1919 or the average year thereafter.

By carefully considering all the evidence in regard to maintenance and operating expense, and the operation of applicant's system, it appears unnecessary to employ an assistant superintendent or to allow a greater sum than \$1,200.00 for manager's salary, in view of the fact that only a relatively small portion of the manager's time is required by his duties to this utility.

An analysis of the operating expenses and depreciation shows that a total of \$13,840.00 is reasonable for this item.

It appears that if the area irrigated remains the same as that irrigated in 1918, the requested rate will produce \$20,012.00. Deducting the above annual charges from this sum, we find that the remainder of the income will produce interest on \$106,200.00 at 6 per cent. It appears, therefore, that the rate asked by the company is warranted.

It is claimed by protestants that the payment of \$25.00 per annum

was made by the majority of the present consumers when the land was purchased from James J. Stevinson, Inc., and that this payment was additional to that for land and was actually payment for a so-called water right which protestants urge should now be considered as establishing an equity in the utility's system.

As before stated by the commission, we find it impossible to discern proof that payments were made and can be considered as requested by protestants, and suggest that this is a matter for the courts to determine, rather than for this commission.

We will authorize this increased rate with the proviso that the requirements for betterment of facilities, as set out in Decision No. 5103 in Case No. 855, are completed and the canal system operated in accordance with the prescribed rules and regulations. If this is not done, we will require that applicant return to its consumers any payment by them in excess of \$1.00 per acre per annum.

ORDER.

East Side Canal and Irrigation Company having applied to the Railroad Commission for authority to increase its rates, hearings having been held, the matter having been submitted and being now ready for decision,

It is hereby found as a fact by the Railroad Commission of the state of California that the existing rate is unjust and unreasonable in so far as it differs from the rate herein established and that the rate set forth in this order is just and reasonable.

Basing its order on the foregoing finding of fact and the further findings of fact contained in the opinion preceding this order,

It is hereby ordered that the East Side Canal and Irrigation Company be and it is hereby authorized to charge and collect \$2.00 per acre per annum for water delivered for irrigation of lands at turnouts provided along the banks of its main canal and the Collier Extension of same.

It is hereby further ordered that the East Side Canal and Irrigation Company shall distribute equitably among its consumers the available supply of water, and if the supply available is not sufficient to meet all demands of consumers, it shall be distributed proportionately in continuous flow or rotation.

It is hereby further ordered that in case the applicant herein fails to clear its canal of obstructions or to distribute water equitably, it shall rebate to water users \$1.00 per acre, determination on this point being subject to review by the Railroad Commission.

Dated at San Francisco, California, this seventeenth day of April, 1919.

DECISION No. 6275.

A. GILLISON, LEE L. GREGORY, JOE STAUFCEK and H. A. WAGNER

vs.

FRED DEVENNEY, MARGARET E. DEVENNEY and GLORYETTA WATER
COMPANY, JOHN E. OTTO, CLARENCE A. OTTO, ALINE HINZE.

Case No. 1237.

IN THE MATTER OF THE APPLICATION OF D. W. EMMETT AND JOHN
NICHOLS FOR PERMISSION TO SELL AND TRANSFER A CERTAIN
DOMESTIC WATER PLANT AND SYSTEM.

Application No. 4240.

IN THE MATTER OF THE APPLICATION OF JOHN E. OTTO, CLARENCE
A. OTTO, JOHN NICHOLS, FRED DEVENNEY, MARGARET E. DEVEN-
NEY, ALINE HINZE AND ERIKA HINZE VERMEULEN, HEIRS AT
LAW OF H. W. HINZE, DECEASED, FOR PERMISSION TO SELL
CERTAIN LAND AND WATER SYSTEM TO JOHN NICHOLS.

Application No. 4341.

Decided April 19, 1919.

TRANSFERS, PUBLIC UTILITIES—AUTHORIZATION FOR.—Transfers of public utilities without proper authorization of the Railroad Commission are void and the commission can not issue an order validating same. It is necessary that interested parties execute new conveyances in accordance with provisions of the order authorizing transfer.

Order made authorizing transfer of small water system in Orange County and purchaser directed to improve service by elevation of tanks and to provide an adequate supply of water without interruptions to service.

H. C. Head, for complainants in Case No. 1237; for applicants in Application No. 4240; and for Fred Devenney, Margaret E. Devenney, Aline Hinze and Erika Hinze Vermeulen in Application No. 4341.

S. M. Davis, for John E. Otto, Clarence A. Otto in Case No. 1237 and for said parties and John Nichols in Application No. 4341.

Fred Devenney, *in propria persona*, in Case No. 1237.

BY THE COMMISSION.

OPINION.

The amended complaint alleges that defendants do not supply sufficient water for domestic purposes and alleges that the water delivered is impure. The answer denies the allegations of the complaint as amended.

A public hearing was held by Examiner Westover at Santa Ana on the original complaint which made the same allegations against the three defendants, Fred Devenney, Margaret E. Devenney and Gloryetta

Water Company, a fictitious name under which Fred Devenney served domestic water in territory just south of Santa Ana, Orange County, known variously as South Santa Ana, Gloryetta and Delhi.

It developed at the hearing that water service was inadequate, pressure being poor and patrons being entirely without water at various times; also that the property had changed hands several times without authority of the commission.

Under these circumstances complainants were advised to amend their complaint joining previous owners as parties defendant and to cause suitable application for authority to transfer the property to be filed. The case was continued for further hearing that all parties in interest might be before the commission. The complaint was subsequently amended by joining the defendants shown in the title, and answer thereto was filed by John E. Otto and Clarence A. Otto only. The two applications above entitled were also filed.

A public hearing of the case upon the amended pleadings and of the two new applications was held by Examiner Westover at Santa Ana. All three proceedings were by stipulation of parties consolidated for hearing and decision.

In addition to the facts shown at the first hearing it appears that the Gloryetta system referred to in Case No. 1237 and Application No. 4341 was constructed by H. W. Hinze about 1912 and transferred about March 15, 1915, to John E. Otto and Clarence A. Otto without applying for or receiving authority from the commission therefor. On or about August 24, 1918, Mr. Hinze died leaving as his sole and only heirs his widow, Aline Hinze and his daughter, Erika Hinze Vermeulen.

February 8, 1917, the Ottos transferred the property to Fred Devenney and wife, also without applying for or receiving authority from the commission. The Devenneys executed deed transferring the property to John E. Otto under date of November 13, 1918.

The Gloryetta plant consists of a 2-horsepower engine, a 1½-inch pump, a well 395 feet deep, flowing at times, and two tanks of a capacity of about 2,000 gallons each on towers about 20 feet high, with 48 services, a number of which are indirectly connected with mains through services of others. The territory served is level and most of the services are in one-story houses. The agreed purchase price is \$750.

It appears from the testimony that the principal need is more pressure and some one who can give more direct attention to the pumping equipment.

The property referred to in Application No. 4240, in which D. W. Emmett seeks authority to transfer to John Nichols, consists of well, 2-inch centrifugal pump, 2-horsepower motor, four storage tanks of an aggregate capacity of about 12,500 gallons and about 50 services in

Emmett's Addition, lying about 2,000 feet from the Otto system. The agreed purchase price is \$1,200.

Mr. Nichols has been operating the Emmett system for some time in the absence of Mr. Emmett, who is engaged in business enterprises in Ventura County. Mr. Nichols, who conducts a general store near these plants, is prepared to devote the necessary time and attention to them, and to make necessary improvements in equipment and service. It appears that the authorized transfer to him will result in better service with no increase in rates. The transfer of these properties as prayed will be for the public interest.

The parties are apparently satisfied as to title of the Otto property without administration of the estate of H. W. Hinze, deceased. For regulatory purposes administration is not necessary at present, and we therefore do not require it.

We are asked to ratify and confirm previous transfers. As the Public Utilities Act makes unauthorized transfers void and provides no means for validating transfers of public utility property after they are made, it will be necessary for all parties to hereafter execute new conveyances as provided in the order.

ORDER.

Public hearings having been held in the above entitled case and upon the applications above numbered, and all three matters having been submitted and being now ready for decision,

It is hereby ordered that John E. Otto, Clarence A. Otto and Aline Hinze and Erika Hinze Vermeulen, heirs at law of H. W. Hinze, deceased, be and they are hereby respectively authorized and empowered to hereafter transfer and convey to John Nichols the real estate situated in the county of Orange, state of California, described as follows:

Commencing at a point 155 feet east and 161.6 feet north of the southwest corner of block "A" of South Santa Ana, as shown on a map recorded in Book 5, page 43 of Miscellaneous Maps, Records of Orange County, California; thence east 525 feet to the east line of said Block "A"; thence south 16.6 feet; thence west 480 feet; thence south 8 feet; thence west 45 feet; thence north 24.6 feet to the point of beginning. Also, a right of way over and upon a strip of land described as commencing at a point 155 feet east and 161.6 feet north of the southwest corner of said block "A"; thence west 24 feet; thence south 3 feet; thence east 24 feet, and thence north 3 feet to the point of beginning.

together with the well, pump, tank, equipment and machinery comprising what is commonly known as the Gloryetta Water Works.

It is hereby further ordered that D. W. Emmett be and he is hereby authorized and empowered to hereafter transfer and convey to John Nichols that certain parcel of land situated in Orange County, California, described as follows, to wit:

The north 81 feet of lot 1, in block "C" of Emmett's Addition to South Santa Ana, as shown on a map recorded in Book 8 at page 13 of Miscellaneous Maps,

Records of said Orange County: together with a certain well, pumping plant, tank and tank stand on said lot, with motor, pump, valves, water pipes and connections for the pumping of water from said well into said tank and together with water mains and laterals in the streets, alleys and lots of said Emmett's Addition to South Santa Ana, connected with said tank and constituting a water supply system for furnishing domestic water to the residents in Emmett's Addition to South Santa Ana, which comprises a portion of the village of Delhi, located about two miles south of the city of Santa Ana in said Orange County.

The authority herein contained is granted upon the following conditions:

1. Within thirty days after the transfer of the property herein authorized said John Nichols shall file with the Railroad Commission a verified copy of each of said deeds of conveyance.

2. Nothing herein contained shall be construed before this commission or any other public authority as representing the actual value of the property authorized to be transferred for rate fixing or other purposes than those incident to the present proceedings.

3. The authority herein granted shall apply only to such property as shall be transferred on or before thirty days after the date hereof.

It is hereby further ordered that said John Nichols or John E. Otto shall furnish to the consumers of both systems hereinabove described an adequate supply of water at all times under conditions affording high-class service and that within thirty days after transfer he elevate the two tanks used in connection with said Otto system so that the bottoms of said tanks will be at least 40 feet above the ground and he shall at all times maintain an adequate supply of water in said tanks to prevent interruption of service.

Dated at San Francisco, California, this nineteenth day of April, 1919.

DECISION No. 6276,
CITY OF RICHMOND.

vs.

EAST RICHMOND LAND COMPANY, A CORPORATION.

Case No. 992.

IN THE MATTER OF THE APPLICATION OF THE CONTRA COSTA REALTY COMPANY FOR A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE IT TO SERVE WATER IN AND ADJACENT TO RICHMOND AND FOR AN ORDER FIXING RATES FOR WATER SERVICE.

Application No. 4075.

Decided April 19, 1919.

RATE OF RETURN--CONSUMERS, LIMITATION IN NUMBER OF.—A water utility serving such a small number of consumers that a rate which would cover operating expenses would be higher than the value of service, can not expect a return on the value of its property until its system is more fully developed. Applicant granted a certificate permitting the operation of a water system in the county of Contra Costa and is authorized to put into effect a schedule of rates similar to those charged by East Bay Water Company in adjacent territory.

H. E. Jacobs and *H. D. Chapman*, for city of Richmond.

A. F. Bray, for Contra Costa Realty Company.

BY THE COMMISSION.

OPINION.

The complaint alleges that defendant is a public utility corporation arbitrarily charging and collecting water rates not fixed by any lawful authority and praying that the Railroad Commission fix rates at which water should be sold to the city and its inhabitants. The answer denies that defendant is a public utility but prays that if the commission concludes that it is in fact a public utility that it fix rates to cover costs of furnishing water.

After the complaint was filed property of defendant was acquired by applicant, Contra Costa Realty Company, which has since operated the system as a public utility. No question of the legality of the transfer was raised before the commission and it is not passed upon. Applicant asks authority to establish the same schedule of rates as that charged by East Bay Water Company, serving Oakland, Berkeley and a portion of Richmond, and prays that the commission declare that public convenience and necessity require applicant to serve water in the territories which it supplies.

A public hearing upon above case and application was held by Examiner Westover in Richmond.

Applicant operates separately two distinct small water systems in Richmond and vicinity, one supplying 14 services in a subdivision known as Richmond Traffic Center Tract, in Richmond and El Cerrito, and the other supplying 24 services in subdivisions known as East Richmond Boulevard Tract and Tewksbury Heights, in Richmond and unincorporated territory.

In determining whether or not the rates requested are just and reasonable rates to be charged in each instance, the commission has caused its engineers to compute the estimated average water bill per consumer which would be necessary to produce operating expenses and also depreciation and return on investment in systems sufficient to serve the present consumers. This computation shows that the rates requested are not sufficient to provide cost of maintaining and operating the systems because of the small number of consumers and the greatly overbuilt conditions of both systems; and that a rate providing a full return would result in average monthly water bills of over \$6.00 per consumer on the smaller system and \$3.40 per consumer on the larger system, bills which would be unreasonably large for consumers to pay.

Under the circumstances, and as applicant recognizes that the present consumers can not properly be asked to pay the entire cost of providing adequate service, we grant the application and establish the same rates as those in force by East Bay Water Company in adjacent territory. It appears to be unnecessary to make a detailed valuation or set forth operating expenses which we are satisfied are reasonable.

The only utility serving water in the immediate vicinity is East Bay Water Company. By communication just received it advises that it has no desire to undertake service within either of the three tracts served by applicant.

ORDER.

Public hearing having been held in the above-entitled case, No. 992, and Application No. 4075, both matters having been submitted and being now ready for decision,

The Railroad Commission hereby declares that public convenience and necessity require and will require that Contra Costa Realty Company, its successors and assigns, serve water for domestic purposes in Contra Costa County in the subdivision known as Richmond Traffic Center Tract lying in Richmond and El Cerrito and in the subdivisions known as East Richmond Boulevard Tract and Tewksbury Heights Tract, lying in Richmond and unincorporated territory; provided applicant shall first have filed with the Railroad Commission stipulation duly authorized by its board of directors declaring that Contra

Costa Realty Company, its successors and assigns, will never claim before the Railroad Commission or any court or other public body a value for any franchise rights or privileges possessed by it in excess of the actual cost of acquiring said rights and privileges, which cost shall be stated in such stipulation; and provided, further, that it shall have received from the Railroad Commission a supplemental order declaring that such stipulation in form satisfactory to the commission has been filed with the commission.

It is hereby further ordered that Contra Costa Realty Company be and it is hereby authorized to file within twenty days from the date hereof and thereafter to charge and collect for water served in the territory hereinabove described the following schedule of monthly rates, to wit:

Flat rate \$1.50 per month
Meter rates:

Service or stand-by charges

3" meter	50 per month
1" meter	1.50 per month
1½" meter	2.50 per month
2" meter	4.50 per month

Water used to be charged at rate of 2½ cents per 100 cubic feet up to 50,000 cubic feet:

For water used above 50,000 cubic feet at rate of 19 cents per 100 cubic feet.

It is hereby farther ordered that within twenty days after date, applicant file with the commission, subject to its acceptance and approval, a complete set of rules and regulations governing the service of water on its two systems described in the opinion, and thereafter put into effect rules and regulations so approved.

It is further ordered that the complaint be dismissed.

Dated at San Francisco, California, this nineteenth day of April, 1919.

Decision No. 6278.

IN THE MATTER OF THE APPLICATION OF SOUTHERN PACIFIC RAILROAD COMPANY, ET AL., FOR THE APPROVAL OF A CERTAIN AGREEMENT BETWEEN SAID CORPORATIONS RELATING TO THE SALE AND CONVEYANCE BY THE VISALIA ELECTRIC RAILROAD COMPANY TO THE MINKLER SOUTHERN RAILWAY COMPANY OF A LINE OF RAILWAY AND REAL PROPERTY EXTENDING SOUTH FROM THE CITY OF PORTERVILLE, THE RECONSTRUCTION OF SAID RAILWAY BY THE MINKLER SOUTHERN RAILWAY COMPANY AND THE JOINT OPERATION THEREOF, AND OF A LINE OF RAILWAY BETWEEN DUCOR AND OIL JUNCTION BY SAID COMPANIES.

Application No. 3571.

Decided April 19, 1919.

Guy F. Shoup, for Southern Pacific Railroad Company, Southern Pacific Company and Visalia Electric Railroad Company.

F. H. Heid, Jr., for Minkler Southern Railway Company, and The Atchison, Topeka and Santa Fe Railway Company.

BY THE COMMISSION.

OPINION.

Southern Pacific Railroad Company, a corporation, Southern Pacific Company, a corporation, Visalia Electric Railroad Company, a corporation, Minkler Southern Railway Company, a corporation, and The Atchison, Topeka and Santa Fe Railway Company, a corporation, filed an application on March 5, 1918, in which they ask the approval by the commission of a certain agreement between said corporations, a draft of which is attached to the application and marked "Exhibit 1." The agreement by its terms provides that Visalia Electric Railroad Company shall sell and convey to Minkler Southern Railway Company that portion of the first-named company's constructed and unconstructed railroad south from the city of Porterville (the location thereof being shown upon the blue print attached to said agreement), and that Minkler Southern Railway Company shall reconstruct the same making it suitable for operation by steam motive power as well as by electricity and shall complete the construction thereof to a connection with the Southern Pacific Railroad Company's railroad at Ducor, Tulare County, California. The agreement further provides for the joint operation and use by all of said companies of the railroad so constructed and to be constructed by Minkler Southern Railway Company and of the Southern Pacific Railroad Company's railroad between Ducor and station of Oil Junction, Kern County, California, under terms and conditions set forth in Exhibits "B" and "C" attached to said agreement and marked "Exhibit 1."

On May 3, 1918, a public hearing was held at which all interested parties were represented. The testimony showed that the Director

General of Railroads had recommended that this work be postponed until the war emergency had passed. The commission therefore agreed to hold the application in abeyance until such time as the interested companies could obtain the consent of the Director General of Railroads for the taking up of the contemplated construction.

The commission is now in receipt of information that the United States Railroad Administration is no longer interested in the proposed agreement and that the contract is considered purely a transaction between the corporate interests of the various roads involved. We are of the opinion that the railroad development contemplated in the contract is desirable and that the agreement should be approved.

ORDER.

It appearing to the commission that no further hearing is necessary in this matter; that the war emergency has passed; that the railroad construction contemplated in this application will be of benefit to the country to be served, and that public convenience and necessity demand that this application be granted.

It is hereby ordered that this application be and the same is hereby granted, provided that a certified copy of the above-mentioned agreement and its terms and conditions as set forth in Exhibits 1, B and C attached to said application shall be filed with this commission within fifteen (15) days after the execution thereof.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this nineteenth day of April, 1919.

DECISION No. 6280.

IN THE MATTER OF THE APPLICATION OF THE RODEO VALLEJO FERRY COMPANY FOR LEAVE TO MORTGAGE PUBLIC UTILITY PROPERTY.

Application No. 4431.

Decided April 19, 1919.

Peter tum Suden, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

The Rodeo Vallejo Ferry Company asks permission to issue a \$13,000.00 face value of 6 per cent serial note and execute a mortgage to secure the payment of the note.

Applicant operates a ferry between Rodeo, Contra Costa County and Vallejo, Solano County. It owns its terminal facilities at Rodeo. At Vallejo applicant has leased from the city of Vallejo a wharf for a period of 10 years at a monthly rental of \$25.00.

The record herein shows that applicant's terminal facilities at Vallejo are inadequate. Applicant has entered into an agreement to purchase, at a cost of \$16,000.00, from the Vallejo Land and Improvement Company and Agnes McK. Wilson, property, which is described in the petition herein as follows:

"All the interest of the Vallejo Land and Improvement Company and Agnes McK. Wilson in the Tide Land Survey No. Twelve (12) and in that portion of Tide Land Survey No. Seventeen (17) lying north of the southerly line of Winchester street and south of the south line of the Sheehy property in said tide land, together with all of the wharf structure known as the Vallejo Land and Improvement Company wharf lying in front of said Tide Land Survey No. Seventeen (17) lying south of that portion of said wharf sold to the city of Vallejo."

Of the purchase price, applicant deposited \$300.00 at the time of the execution of the purchase agreement; \$2,700.00 is payable within thirty days after March 5, 1919, \$3,000.00 within one year from the date of the deed conveying title to the property and the balance at the rate of \$2,500.00 for the next succeeding four years. The deferred payments bear interest at the rate of 6 per cent per annum. Applicant intends to issue a note to represent the deferred payments. To secure the payment of the note, applicant asks permission to execute a mortgage of the usual form covering the property which it has agreed to purchase from the Vallejo Land and Improvement Company and Agnes McK. Wilson. A copy of the note and mortgage has been filed with the commission.

The property herein referred to has a frontage of about 400 feet. It lies between the wharf which applicant leases from the city of Vallejo and the wharf of the Southern Pacific. The property is advantageously located and well adapted for applicant's use.

I herewith submit the following form of order:

ORDER.

The Rodeo Vallejo Ferry Company having applied to the Railroad Commission to issue a note and execute a mortgage, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income:

It is hereby ordered that The Rodeo Vallejo Ferry Company be and it is hereby granted authority to issue a \$13,000.00 face value 6 per cent

serial note and to execute a mortgage to secure the payment of said note; said note and mortgage to be substantially in the same form as the note and mortgage filed on April 17, 1919, in this proceeding.

The authority herein granted is upon the following conditions:

1. The note shall be issued for the purpose of paying in part for the properties described in the petition herein.

2. The approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject.

3. Within thirty days after its execution, applicant shall file with the Railroad Commission a verified copy of the mortgage executed pursuant to the authority herein granted.

4. The authority herein granted to issue a note shall not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

5. The authority herein granted shall apply only to such note as may be issued and to such mortgage as may be executed on or before July 1, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this nineteenth day of April, 1919.

DECISION No. 6281.

IN THE MATTER OF THE APPLICATION OF THE SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY FOR AN ORDER REVISING AND INCREASING ITS GAS AND ELECTRIC RATES.

Application No. 4052.

Decided April 23, 1919.

GOVERNMENT BUSINESS. LOSS OF—EFFECT ON RATES.—The Railroad Commission, in establishing a new schedule of rates for a gas and electric utility, will give consideration to estimated losses in service due to a reduction in sales through loss of government business which it has been serving during the war; however, estimated increases in operating expenses should be limited accordingly.

FEDERAL AND WAR TAXES—PAYABLE BY UTILITIES.—Taxes imposed by the federal government on corporations and individuals which are considered a special war tax, should be borne by the utilities themselves and not transferred to consumers through increases in rates.

STAND-BY SERVICE—MAINTENANCE OF.—An electric utility which incurs the expense of constructing and maintaining an electric transmission line for the purposes of purchasing electric energy amounting to approximately 100 per cent of its needs and still maintains its steam generating plant at a cost equal to the

expense incidental to its operation at maximum capacity which will cost approximately \$70,000.00 per year in excess of the cost of producing its own energy, can not expect to include such amount in the rates charged consumers.

COST OF SERVICE—APPORTIONMENT OF.—The cost of service of an electric utility should be apportioned equitably between all consumers and when it is found that a class of consumers are receiving a service at rates lower than others in the same or different classes, such discrimination should be removed.

PAYMENT OF BILLS—DISCOUNTS ON.—A discount of 10 per cent for prompt payment of bills, while held reasonable as to small lighting bills, where the discount is proportionate to the cost of collecting, it is held to be excessive when applied to large power bills and should be discontinued.

Revised schedules for gas and electric service established to become effective for meter readings made on and after May 1, 1919.

Sweet, Stearns & Forward, by *Fred W. Stearns*, and *Chickering & Gregory*, by *Allen L. Chickering*, for Applicant.

T. B. Cosgrove, for the city of San Diego.

Johnson W. Puterbaugh, for the city of Coronado.

Ray M. Harris, for the city of National City.

F. B. Andrews, for the city of Chula Vista.

James E. O'Keefe, for the city of La Mesa.

P. M. Andrews, for the city of East San Diego.

H. J. Bischoff, John Gillons and *J. D. Graham*, for the Chamber of Commerce of San Diego.

Frank E. Atwood, *in propria persona*, and for 3,240 consumers.

LOVELAND, Commissioner.

OPINION.

In this proceeding San Diego Consolidated Gas and Electric Company, hereinafter referred to as applicant, asks for an order of the commission authorizing it to increase its rates and charges for gas and electricity. Hearings were held at San Diego, the matter submitted and is now ready for decision.

Applicant is a California corporation engaged in the manufacture and distribution of gas and in the generation and distribution of electricity in the city and county of San Diego and in certain portions of the county of Orange, state of California. The major portion of its business, however, is concentrated in the immediate vicinity of the city of San Diego.

Applicant operates gas generating plants in San Diego and Escondido, California, a large plant for generation of electricity by steam from fuel oil in the city of San Diego, and also purchases electricity at wholesale from the Southern California Edison Company at Capistrano, which energy is carried into San Diego over a high tension transmission line.

Applicant's rates for gas and electricity were first reviewed and passed upon by this commission in Decision No. 3839, dated November 3, 1916 (Vol. 11, Opinions and Orders of the Railroad Commission, page 735), and again in considering Application No. 3294, as a result of which

applicant's rates for gas were increased by Decision No. 5158, dated February 25, 1918 (Vol. 15, Opinions and Orders of the Railroad Commission, page 283).

Applicant's operating expenses in both its gas and electric departments have materially increased owing to the conditions obtaining prior to and during the war emergency, which conditions applicant alleges are still in effect to a marked degree and will so continue. These increases are reflected in applicant's costs of oil, in both its gas and electric departments, and in labor and materials incidental to the operation of its entire business.

Up to and including the year ending December 31, 1917, the returns from applicant's business as a whole have been very remunerative, although the rate of return in applicant's gas business has always been lower than that earned by its electric department. The increase in applicant's gas rates authorized by this commission in Decision No. 5158 (*supra*) was for the purpose of offsetting the increases in oil and other operating costs of its gas department. The rate of return previously earned in its gas department was not thereby increased. It has not been found advisable to establish gas rates on applicant's system that would yield a higher rate of return than 6 per cent upon its gas capital. In the past the rate of return earned by applicant's electric department has generally been 10 per cent of its electric department capital and in many years has exceeded this percentage.

During the years 1917 and 1918, due to unusual concentration of military and naval activities in the vicinity of San Diego, the business of applicant was substantially increased in both its gas and electric departments. This was due not only to the extensive use of gas and electricity by the military and naval establishments themselves, but also due to the increase in civilian population with a consequent growth in the number of consumers and quantities of gas and electricity sold. Applicant herein bases its estimates of business for the year 1919 in both its gas and electric departments upon a reduction of its consumers and sales, due not only to the loss of government business itself, but to a reduced use of gas and electricity by its regular consumers. Protestants for the city of San Diego take exception to this position of applicant and have endeavored to show that little if any curtailment in the use of gas and electricity will occur during the year 1919. I am satisfied that the amount of business to be enjoyed by applicant during the year 1919 will be somewhat problematical. Up to the time of the submission of this proceeding, little, if any, definite knowledge of the future of government activities in and about San Diego was available. It is evident, however, that the business resulting from military and naval activities and the consequent additional civil population will be gradually reduced and may be subject to very sudden abandonment. It will

be manifestly unfair to applicant to base its rates at this time upon the conditions reflected in its abnormally increased business of the year 1918, and it would be similarly unfair to its consumers to base rates upon too pessimistic an outlook. From a review of the evidence herein, I believe that applicant's estimates of its probable sales of gas and electricity and revenue to be obtained therefrom for the year 1919, affords a reasonable basis for rate fixing at this time. While it is true that applicant's figures for 1919 show a substantial reduction over the year 1918, if we go back a year or two preceding the war emergency to compare applicant's present estimates, I am satisfied that these reflect what may be termed a normal growth.

I shall proceed to a consideration of the three portions of applicant's business into which this proceeding is naturally divided.

1. Gas Department—Southern District, which includes San Diego and vicinity.
2. Gas Department—Escondido.
3. Electric Department—Entire System.

The southern district of the gas department, which includes high and low pressure gas service in the city of San Diego, National City, La Mesa, Coronado, East San Diego, Chula Vista and several smaller unincorporated districts and the intervening territory, and Camp Kearny, is supplied with gas generated at the San Diego plant. The city of San Diego is served largely through a low pressure system and the outlying sections by high pressure lines. For the year 1919 applicant's estimates show service to 22,425 consumers, including service to Camp Kearny, sales of gas aggregating 826,736,859 cubic feet, total gas manufactured to supply this business 962,707,780 cubic feet, and the revenue to be derived therefrom \$865,299.00, which revenue is based upon rates now in effect and authorized in Decision No. 5158 (*supra*). Applicant reports that its gas capital for the year 1919 will be the sum of \$3,446,118.00, which includes certain estimates of material and supplies and working cash capital, as shown in its exhibits. The value of the physical properties of applicant included in this figure is based upon this commission's findings as of July 1, 1917, set forth in Decision No. 3839 (*supra*), to which has been added the additions and betterments from its accounts. Applicant further shows that after the deduction of operating expenses of \$737,156.00 and a depreciation allowance of \$59,672.00 for the year 1919, that the net income resulting from its business for this period will be \$68,471.00, which is 1.98 per cent net return on applicant's figures of capital.

I shall accept applicant's estimate of sales, consumers and revenue for the reasons previously set forth. For the purpose of this proceeding, however, I have reduced applicant's capital to \$3,387,664.00, which

includes a corrected amount for material and supplies and working cash capital properly chargeable to operation, and for which items applicant's estimates exceed what has been found as reasonable by this commission. I have increased the revenue to be derived by applicant from its gas business by the addition of \$4,000.00 of other revenue than from the sale of gas, which the evidence herein indicates will accrue to applicant from the disposal of by-products and from merchandising and jobbing.

Applicant's estimate of operating expenses are in excess of what they should be, considering the changes which may reasonably be expected with the coming of peace. The estimate of expenses, including depreciation, submitted by applicant has been reduced from the sum of \$796,828.00 to \$743,606.00, which latter figure, from a consideration of all the evidence in this proceeding, appears reasonable for the operation of the applicant's gas department, southern district, for the year 1919. Some proportionate reduction in expenses from those of 1918 should arise from the loss of business contemplated. In thus deducting from the figures submitted by applicant I am mindful of the method of compilation of the estimates by applicant and also the fact that with the reduced business of applicant it must further economize. Only one-half of applicant's estimate of increased wages has been allowed. Applicant should curtail its expenses to offset any additional increase and also curtail in matters of its general expense.

I have reduced applicant's item of taxes from \$66,317.00 to \$51,819.00, the difference being the amount of federal income and other taxes which should properly be borne by its stockholders and not by its consumers in the form of rates. The amount which has been allowed herein for taxes is intended to cover the state taxes, local taxes and all normal pre-war income and other federal taxes. This commission's position with reference to war taxes imposed upon utilities has been sufficiently set forth in earlier decisions and does not require repetition herein.

On the basis of revenue from present rates and reasonable expenses deduced above, the net income of applicant's gas department, southern district, for the year 1919, after deducting depreciation, amounts to \$126,298.00, which is 3.73 per cent of the capital in applicant's gas department, southern district. It is obvious, therefore, that applicant's rates for gas will require some increase if it is to obtain anything like a reasonable return upon its investment.

To continue the same rate of return in the future as heretofore judged reasonable will necessitate an increase in applicant's rates of 10 cents per thousand cubic feet, and I recommend that this be granted. This increase will result in an additional gross revenue of \$82,674.00 based on a full year's operations. Applicant's net, after deducting taxes

chargeable to operation, and a reasonable allowance for depreciation, will be \$204,012.00 and will yield a return of 6 per cent on its capital.

In authorizing an increase of 10 cents per thousand cubic feet of gas, the rate structure itself will be modified to this extent. The present costs of oil, labor and materials used in applicant's operations appear sufficiently stable to warrant such change, rather than to add a surcharge which implies a temporary abnormal condition.

Referring now to the service of gas at Escondido: If depreciation be included with other operating expenses the present rates now in effect at Escondido will yield little or no return. Increases have also occurred in the price of fuel oil, labor and supplies, for which some relief should be afforded. The rates are already high and can not, in fairness to consumers, be increased to give applicant anything like a full return on its investment.

Applicant purchased the Escondido property in 1917 knowing full well the difficulties of making the property remunerative and it can not expect at this time to make much in excess of operating expenses and depreciation. The rates herein authorized will increase the average gas rate for Escondido somewhat in excess of 15 cents per thousand cubic feet and will yield a return of approximately 4 per cent on capital.

Applicant's electric business, as evidenced by its estimates for the year 1919, calls for revenue of \$962,710.00 to be derived on the basis of existing rates from the sale of 23,429,293 kilowatt hours. Applicant reports its expenses for the year 1919, including depreciation, as \$723,821.00, which does not include, however, the surcharge of 1.2 mills per kilowatt hour which it is required to pay upon the energy it purchases from Southern California Edison Company in accordance with this commission's Decision No. 6000 dated December 21, 1918, authorizing an increase in the electric rates of Edison company. Making allowance for this item, the expenses reported by applicant would be increased to \$759,874.00, which leaves a return of 4.31 per cent upon applicant's reported capital of \$4,709,598.00. The earnings of the electric business of applicant has been at least 10 per cent net prior to 1917 and a drop to as low a return as 4.31 per cent in less than two years does not seem reasonable, in spite of the substantially increased operating costs, and particularly when consideration is given to the fact that applicant now purchases at wholesale more than 80 per cent of its energy in lieu of its production by fuel oil.

An examination of the figures submitted by applicant shows that, although the output of its San Diego steam plant will be but 10 per cent of that for the year 1917, its expense of such operation, exclusive of oil, will be as much for this stand-by service as under former conditions of full operation. A question seriously the correctness of such an

estimate. In addition to this, applicant shows the additional heavy investment and upkeep for a long transmission line from Capistrano to San Diego, which two factors explain to a large extent the enormous increase in the cost of its energy. That applicant has entered into a contract with the Southern California Edison Company for the purchase of this energy supply and has expended some \$360,000.00 for a transmission line to carry the same, and still finds it necessary to operate as stand-by a steam generating plant of sufficient capacity to handle its entire load, and at an expense, exclusive of fuel, that is as great as for full operations, appears to me to result in unnecessary duplication of expense, for which its consumers should not be required to pay. Under present conditions, with a surcharge of 1.2 mills per kilowatt hour upon the energy obtained from the Edison company, and with the fixed charges and operating costs incidental to this long transmission line, it will appear from a very simple analysis that the San Diego Consolidated Gas and Electric Company can produce in its steam generating plant at San Diego all of the energy necessary to supply its requirements and render as good service at a cost far less than under the present method of operation, even though it is required to pay as much as \$1.72 per barrel for fuel oil. Considering only the costs involved in the purchase and transmission of this energy under present conditions including fixed charges on the transmission investment and the cost of generating by steam at its plant all of the energy required by applicant, it appears that the present method of operation will cost applicant at least \$70,000.00 per annum in excess of the cost of producing its energy requirements entirely by steam in a plant thus fully equipped for such and in which the investment is already made and must otherwise be maintained. Based upon the amount of energy to be used it appears that energy generated entirely by steam in applicant's plant would cost at least 2.3 mills per kilowatt hour less than under the scheme now used. The present contractual arrangement with Southern California Edison Company and the cost of delivering energy to San Diego under these arrangements is clearly contrary to the interests of applicant's consumers, if applicant herein were to be granted rates that would permit it to charge its consumers at least \$70,000.00 per annum in excess of the cost of producing its own energy. I do not question the good faith on the part of applicant in entering into the contract with Southern California Edison Company as a provision for the future growth of its business and the possible conservation of fuel oil, but I do desire to point out the fact that at the present time the exercise of this contract results in conditions and burdens which I can not feel justified in assessing against its electric consumers. No doubt at some later date, as applicant's business increases, this contract will prove remunerative but at the present time

I believe that applicant should be required to carry the loss incidental to this arrangement until such time as it can show that the exercise of this contract and the investment in this transmission line is warranted and results in the delivery of energy to San Diego at a cost at least not greater than it can be there produced by steam.

The estimate of cost of electric service used herein to determine the reasonableness of rates, will, therefore, be based on steam plant operation. I am proceeding wholly upon the principle that the people of San Diego County are entitled to the least expensive service available, particularly when they are already paying a return upon the facilities necessary for that service, and will reject all increased costs not necessary for such service.

I am mindful of the urgent desire that conservation of oil be reasonably observed. I doubt, however, that the people of San Diego should be called upon to pay an increase amounting to 8 per cent on their electric bills so that a slight reduction in use of oil may result. Purchase of energy from Southern California Edison Company at this time does not necessarily imply an equivalent saving of oil, for a substantial portion of the Edison company's energy is produced by steam.

I do not propose that applicant generate all of its energy by steam in San Diego, but I do take the position that in determining reasonable expenses incidental to the production of electricity in this proceeding that the present arrangement creates a burden which can not rightfully be assessed to applicant's consumers. Therefore, in determining reasonable operating expenses for the electric department of applicant's business for the year 1919, I shall ascertain the excess cost resulting from the present arrangement and deduct the same in order to arrive at the cost incidental to supplying the present year's requirements of electricity as if entirely supplied from steam generation at San Diego. As the capital upon which applicant's return is to be based, I shall adopt the figure of \$4,625,786.00 in lieu of the amount submitted by applicant. This includes the new transmission line and revised amounts for material and supplies and working cash capital.

I shall add to applicant's estimated revenues the sum of \$8,000.00, not included by it but which represents other operating revenue than from the sale of electricity, including merchandising and jobbing. The total revenue which I thus estimate will accrue to applicant for the year 1919 under present rates for electricity is the sum of \$970,710.00. On the basis of producing energy entirely by steam, except for small amount purchased from the Escondido Mutual Water Company, I find that the sum of \$676,767.00 represents a reasonable estimate of applicant's operating expenses, including the proper amount for taxes assessable to its consumers, and a reasonable depreciation allowance upon the capital above set forth.

In arriving at this amount I have deducted applicant's estimate of flood damage expense. Applicant's former earnings have been sufficient to have absorbed this item and leave more than a fair return on its investment. Applicant's other estimates of expenses have been reduced slightly. Applicant has enjoyed a very remunerative return from its electric business in the past, and if, according to applicant's testimony, the prosperity of San Diego and its adjoining territory is to suffer materially due to cessation of the war, applicant must now curtail expenses wherever practicable and expect to bear part of the resulting losses along with other industries and the public.

Under these conditions, the net income that would accrue from existing rates is the sum of \$293,943.00, which corresponds to a return of 6.90 per cent of capital exclusive of the transmission line, or 6.35 per cent if transmission capital is included.

In general, a return of 8 per cent net has been considered reasonable, and our endeavor herein will be to establish rates which will produce at least this return after the deduction of the reasonable expenses set forth above.

The electric rates of San Diego Consolidated Gas and Electric Company have never been definitely established by this commission. They are an outgrowth of conditions that existed prior to regulation and in many instances do not fairly and evenly divide the charges between the various classes of consumers, or between consumers of any one class. A surcharge form of increase applied to the present schedules would only serve to perpetuate existing inequalities, and it appears proper at this time that an adjustment of applicant's rate schedules be first made and any necessary surcharge to care for present abnormal conditions be thereafter added. I therefore propose that the electric rates of applicant be first revised as set forth in the order herein, which rates are to be considered as normal rates, and that the surcharges hereinafter set forth be added to such normal rates to cover present increased costs.

Applicant's schedule rates for power service are, in general, too low for large consumers with small consumption or low load factor as compared with similar sized installations of high load factor. Its rates for large power installations are relatively low when compared with rates for smaller power installations. There are further a number of special contracts for light and power, the rates of which are clearly discriminatory. It is both desirable and proper that the discriminations which now exist in applicant's present rate schedules and contracts be removed, and all consumers be placed upon a uniform basis. The rates set forth in the order herein, which I find to be just and reasonable, will remove these discrepancies and will equitably divide the charges for service between the various consumers and classes. The effect of

these rates will be to increase the charges to consumers whose installations operate at a low load factor. In many cases they will represent a substantial increase, while in others some reduction in the charge for electricity will result. On the whole, however, I believe these rates to equitably apportion applicant's costs to its several classes of business.

Practically all of applicant's present rates for both light and power grant discounts for prompt payment amounting to 10 per cent of the bill. This type of rate encourages prompt payment of consumers' outstanding accounts and to this extent is assumed to reduce the utility's costs of collection. I can see real justification for a discount where the amount of such discount does not exceed the actual additional cost of collecting the bills, but it is very apparent that for bills of any magnitude a discount of 10 per cent is far in excess of the cost of collection, and is in reality an unreasonable penalty for failure to pay a bill within a prescribed period. In fact, large power and lighting consumers actually obtain a discount for prompt payment in excess of \$100.00 per month. I urge that the discount type of rate for power bills be eliminated and that on lighting service the discount for prompt payment be limited to small bills where the amount of the discount is comparable with the cost of collection.

To the normal rates hereinafter established, I deem it proper at this time to add the following surcharges based on monthly consumption:

For energy sold for lighting service, including domestic, commercial, municipal and metered service, 1 cent per kilowatt hour on the first 500 kilowatt hours; 5 mills per kilowatt hour on all over 500 kilowatt hours.

For energy sold for power service, 2 mills per kilowatt hour on the first 5,000 kilowatt hours; 1 mill per kilowatt hour on all over 5,000 kilowatt hours.

For energy sold for heating, cooking and battery charging, 5 mills per kilowatt hour.

For flat rate commercial lighting service, 10 per cent of monthly bills.

For municipal and public outdoor street lighting service, 5 per cent of monthly bills.

With the rates as established and surcharges hereinafter authorized for electric service in effect for one year, applicant's gross revenue, based upon the probable sales of electricity for 1919, will be increased to \$1,060,710.00, which will produce a net income, after deducting the reasonable cost of service set forth above, of \$378,543.00, netting a return of 8.2 per cent on applicant's electric capital.

I submit the following form of order:

ORDER.

San Diego Consolidated Gas and Electric Company having applied to the Railroad Commission for authority to increase its rates for gas and electricity, hearings having been held, the matter submitted and being now ready for decision, the Railroad Commission of the state of California hereby finds as a fact that the rates and charges for gas of

San Diego Consolidated Gas and Electric Company are not just, fair or reasonable rates, and that the rates and charges for electricity of San Diego Consolidated Gas and Electric Company, as set forth in its schedules of rates and contracts on file with the Railroad Commission, are not just, fair and reasonable rates for electricity in so far as they differ from the rates hereinafter established and it hereby further finds as a fact that the rates and charges for gas and electricity as established hereinafter are just, fair and reasonable rates, and that the rates for electricity set forth in the order herein, when modified by the addition of the surcharges authorized herein, are, under present conditions, just, fair and reasonable rates for electricity.

Basing its order on the foregoing findings of fact and on other findings of fact contained in the opinion which precedes this order,

It is hereby ordered that San Diego Consolidated Gas and Electric Company charge and collect for gas the rates set forth in the following schedules, which rates shall apply to the service and in the territory designated in said schedules, for all regular meter readings taken on and after the first day of May, 1919.

GAS SCHEDULE No. 1.

GENERAL GAS SERVICE.

Applicable to domestic and commercial service of gas for lighting, heating and cooking.

Territory.

Applicable to San Diego District, including San Diego, East San Diego, National City, Chula Vista, La Mesa and Coronado.

Rate.

	Gross	Net
First 500 cubic feet or less, per month-----	\$0 75	\$0 65
Next 4,500 cubic feet per month, per 1,000 cubic feet-----	1 30	1 20
Next 10,000 cubic feet per month, per 1,000 cubic feet-----	1 20	1 10
Next 15,000 cubic feet per month, per 1,000 cubic feet-----	----	1 00
Next 20,000 cubic feet per month, per 1,000 cubic feet-----	----	90
Next 25,000 cubic feet per month, per 1,000 cubic feet-----	----	80
All over 75,000 cubic feet per month, per 1,000 cubic feet-----	----	70

Prompt payment discount.

All bills are rendered at the gross rate shown above. A discount reducing the bill to the net rate as shown is made for prompt payment in case bills are paid on or before the date due as shown on the bill rendered.

Special conditions.

In case of prepayment meters the rate charged shall be \$1.30 per thousand cubic feet for all gas consumed, subject to a minimum charge of 65 cents per meter per month.

GAS SCHEDULE No. 2.

Territory.

SPECIAL GAS SERVICE.

Applicable to service in Tent City, Coronado.

Rate.

	Gross	Net
All gas furnished, per 1,000 cubic feet-----	\$1 60	\$1 50

43-41431

Minimum charge.

The minimum charge is \$1.10 per meter per month or portion thereof, subject to 10 cents discount for prompt payment.

Prompt payment discount.

All bills are rendered at the gross rate shown above. A discount reducing the bill to the net rate as shown is made for prompt payment in case bills are paid on or before the date due as shown on the bill rendered.

GAS SCHEDULE No. 3.**GENERAL GAS SERVICE.**

This schedule is applicable to domestic and commercial service for lighting, heating and cooking.

Territory.

Applicable in the city of Escondido.

Rate.

	Gross	Net
First 500 cubic feet or less, per meter per month-----	\$1 10	\$1 00
Next 4,500 cu. ft., per meter per month, per 1,000 cu. ft.----	1 70	1 60
Next 5,000 cu. ft., per meter per month, per 1,000 cu. ft.----	1 50	1 40
Next 10,000 cu. ft., per meter per month, per 1,000 cu. ft.----	----	1 20
All over 20,000 cu. ft., per meter per month, per 1,000 cu. ft.---	----	1 10

Prompt payment discount.

All bills are rendered at the gross rate shown above. A discount reducing the bill to the net rate as shown is made for prompt payment in case bills are paid on or before the date due as shown on the bill rendered.

GAS SCHEDULE No. 4.**SPECIAL MUNICIPAL ARC SERVICE.***Territory.*

Applicable to service of three municipal gas arcs located in La Jolla.

Rate.

\$4.50 per lamp per month.

Special conditions.

Under this rate the lamps burn all night every night, the company turning the lamps on and off, and renewing all lamps, globes and mantles.

It is hereby further ordered that San Diego Consolidated Gas and Electric Company charge for electricity the rates and charges set forth in the following schedules, which rates shall apply to the classes of service and in the territories respectively set forth in the said schedules, for all regular meter readings taken on and after the first day of May, 1919:

ELECTRIC SCHEDULE No. 1.**GENERAL RESIDENCE AND COMMERCIAL LIGHTING.**

This schedule applies to all classes of alternating current for lighting service; also for electric energy used by electric lamp socket appliances, small motor installations operating to serve lighting appliances, X-ray machines and other services used directly or indirectly for the production of light.

Territory.

Applicable in the San Diego District.

<i>Rate.</i>	Rate per kilowatt hour	
	Gross	Net
First 100 kilowatt hours per meter per month.....	8 cents	7 cents
Next 200 kilowatt hours per meter per month.....	--	7 cents
Next 200 kilowatt hours per meter per month.....	--	6 cents
Next 1,500 kilowatt hours per meter per month.....	--	4½ cents
Next 2,000 kilowatt hours per meter per month.....	--	3½ cents
All over 4,000 kilowatt hours per meter per month.....	--	2½ cents

Minimum charge.

The minimum is 85 cents gross or 75 cents net per meter per month for lighting. In case power is used the minimum charge is \$1.00 per month per horsepower connected.

Prompt payment discount.

All bills are rendered at the gross rate shown above. A discount reducing the bill to the net rate is made for prompt payment in case bills are paid on or before the date due as shown on the bill rendered.

ELECTRIC SCHEDULE No. 2.

GENERAL RESIDENCE AND COMMERCIAL LIGHTING SERVICE.

This schedule applies to all classes of alternating current for lighting service, also for electric energy used by electric lamp socket appliances, small motor installations operating to serve lighting appliances, X-ray machines and other services used directly or indirectly for the production of light.

Territory.

Applicable to the northern district, including Del Mar, Oceanside, Escondido, Holbrook, Capistrano and intervening territory.

<i>Rate.</i>	Rate per kilowatt hour	
	Gross	Net
First 30 kilowatt hours per meter per month.....	10 cents	9 cents
Next 70 kilowatt hours per meter per month.....	8 cents	7 cents
Next 200 kilowatt hours per meter per month.....	--	7 cents
Next 200 kilowatt hours per meter per month.....	--	6 cents
Next 1,500 kilowatt hours per meter per month.....	--	4½ cents
Next 2,000 kilowatt hours per meter per month.....	--	3½ cents
All over 4,000 kilowatt hours per meter per month.....	--	2½ cents

Minimum charge.

The minimum charge will be \$1.10 gross or \$1.00 net per meter per month for lighting. In case power is used the minimum charge is \$1.00 per month per horsepower connected.

Prompt payment discount.

All bills are rendered at the gross rate shown above. A discount reducing the bill to the net rate is made for prompt payment in case bills are paid on or before the date due as shown on the bill rendered.

ELECTRIC SCHEDULE No. 3.

SIGN DISPLAY AND OUTLINE LIGHTING.

The rates and charges set forth in Schedule No. 3, C. R. C. Sheets No. 122-E and No. 123-E of San Diego Consolidated Gas and Electric Company issued May 18, 1917, and now on file with this commission.

ELECTRIC SCHEDULE No. 4.

DIRECT CURRENT POWER SERVICE.

Applicable to 500-volt direct current power service for elevators and variable speed motors to which three-phase alternating current is not easily adapted.

Territory.

Applicable to the central business district of San Diego.

Rate.

First 100 kilowatt hours per meter per month, per kilowatt hour----	7 cents
Next 100 kilowatt hours per meter per month, per kilowatt hour-----	6 cents
Next 100 kilowatt hours per meter per month, per kilowatt hour-----	5 cents
Next 200 kilowatt hours per meter per month per kilowatt hour-----	4 cents
Next 500 kilowatt hours per meter per month, per kilowatt hour ----	3 cents
All over 1,000 kilowatt hours per meter per month, per kilowatt hour	2 cents

Minimum charge.

\$1.00 per horsepower of connected load per month.

ELECTRIC SCHEDULE No. 5.

GENERAL POWER SERVICE.

Applicable to all alternating current energy furnished either three-phase or single phase at 220 volts, 440 volts or 2,200 volts, 60-cycle frequency.

Territory.

Applicable throughout the entire territory served.

Rate.

Monthly consumption per horsepower	Rate per kilowatt hour for connected loads or maximum demands of—					
	1 h.p. to 4 h.p. (cents)	5 h.p. to 9 h.p. (cents)	10 h.p. to 24 h.p. (cents)	25 h.p. to 49 h.p. (cents)	50 h.p. to 99 h.p. (cents)	100 h.p. and over (cents)
First 50 kilowatt hours.	6	5	4	3	2.5	2.25
Next 100 kilowatt hours.	3	2.75	2.5	2.25	2	1.75
All over 150 kilowatt hours.	2	1.75	1.5	1.5	1.25	1

Minimum charge.

\$1.00 per month horsepower of connected load or maximum demand, but not less than \$1.00 per month.

Special conditions.

1. Any installation may obtain the rates for the larger size installation by guaranteeing the rates and minimum charge of said larger installation.
2. Rate on maximum demand basis is only applicable where two or more motors are installed.
3. The maximum demand as herein referred to is the highest average load in horsepower determined for a period of twenty minutes during the month or the eleven months immediately preceding.
4. Where consumer takes service on the basis of maximum demand rather than connected load, an additional service charge to cover maintenance and fixed charges upon maximum demand motor of \$7.50 per year, payable in advance, will be made.

ELECTRIC SCHEDULE No. 6.
OPTIONAL INDUSTRIAL POWER RATE.

This schedule covers all alternating current energy furnished either three-phase or single phase at 220 volts, 440 volts, or 2,200 volts, 60-cycle frequency.

Territory.

Applicable throughout the entire territory served.

Rate.

1. Readiness to serve charge.

First 5 horsepower or less of connected load or maximum demand, per month	\$5 00
All over 5 horsepower of connected load or maximum demand, per horsepower per month	1 00

Plus—

2. Energy charge.

First 500 kilowatt hours per meter per month, per kilowatt hour	2 cents
Next 1,500 kilowatt hours per meter per month, per kilowatt hour ..	1.5 cents
Next 8,000 kilowatt hours per meter per month, per kilowatt hour ...	1.2 cents
Next 20,000 kilowatt hours per meter per month, per kilowatt hour ..	1 cent
All over 20,000 kilowatt hours per meter per month, per kilowatt hour ..	.9 cent

Special conditions.

1. Rate on maximum demand basis is only applicable where two or more motors are installed.
2. The maximum demand as herein referred to is the highest average load in horsepower determined for a period of twenty minutes during the month or the eleven months immediately preceding.
3. Where consumer takes service on the basis of maximum demand rather than connected load, an additional service charge to cover maintenance and fixed charges upon maximum demand meter of \$7.50 per year, payable in advance, will be made.

ELECTRIC SCHEDULE No. 7.
AGRICULTURAL POWER SERVICE.

This schedule applies to energy used for agricultural power service and municipal or water company pumping plants. Standard single-phase or three-phase service is rendered at 220, 440 or 2,200 volts, 60-cycle frequency.

Territory.

Applicable to the entire territory served by the company.

Rate.

Annual consumption per horsepower	Rate per kilowatt hour for connected loads on maximum demands of—			
	2 h.p. to 9 h.p. (cents)	10 h.p. to 24 h.p. (cents)	25 h.p. to 99 h.p. (cents)	100 h.p. and over (cents)
First 400 kilowatt hours	3.5	3	2.5	2.25
All over 400 kilowatt hours	2	2	2	1.75

Minimum charge.

\$12.00 per horsepower of connected load or maximum demand per year, but not less than \$24.00 per year.

Special conditions.

1. The customer is allowed to connect 120 watts in lighting on his side of the meter for each 50 horsepower or less of installed load capacity. These lights are restricted to within or attached to the building in which the motor is installed.
2. The customer, where two motors are installed on the same service, may, by application, have his rate based upon the maximum demand.
3. The maximum demand as herein referred to is the highest average load in horsepower determined for a period of twenty minutes during the month or the eleven months immediately preceding.
4. Any installation may obtain the rate for the larger size installation by guaranteeing the rates and minimum charge of the larger installation.
5. Where consumer takes service on the basis of maximum demand rather than connected load, an additional service charge to cover maintenance and fixed charges upon maximum demand meter of \$7.50 per year, payable in advance, will be made.

ELECTRIC SCHEDULE No. 8.**OPTIONAL AGRICULTURAL POWER SERVICE.**

This schedule applies to energy used for agricultural power service and municipal or water company pumping plants. Standard single-phase or three-phase service is rendered at 220, 440 or 2,200 volts, 60-cycle frequency.

Territory.

Applicable to the entire territory served by the company.

*Rate.*1. *Readiness to serve charge.*

First 5 horsepower or less of connected load or maximum demand, per year -----	\$50 00
All over 5 horsepower of connected load or maximum demand, per horsepower per year-----	8 00

*Plus -*2. *Energy charge.*

First 4,000 kilowatt hours per meter per year, per kilowatt hour---	1.50 cents
Next 6,000 kilowatt hours per meter per year, per kilowatt hour---	1.25 cents
All over 10,000 kilowatt hours per meter per year, per kilowatt hour---	1 cent

Special conditions.

1. The customer is allowed to connect 120 watts in lighting on his side of the meter for each 50 horsepower or less of installed load capacity. These lights are restricted to within or attached to the building in which the motor is installed.
2. The customer, where two motors are installed on the same service, may, by application, have his rate based upon the maximum demand.
3. The maximum demand as herein referred to is the highest average load in horsepower determined for a period of twenty minutes during the month or the eleven months immediately preceding.
4. Where consumer takes service on the basis of maximum demand rather than connected load, an additional service charge to cover maintenance and fixed charges upon maximum demand meter of \$7.50 per year, payable in advance, will be made.

ELECTRIC SCHEDULE No. 9.**SERIES MUNICIPAL STREET LIGHTING—BRACKET ARM SERVICE.**

(The rates and charges set forth in Schedule No. 9, C. R. C. Sheets Nos. 129-E and 130-E of San Diego Consolidated Gas and Electric Company, issued May 18, 1917, and now on file with this commission.)

ELECTRIC SCHEDULE No. 10.

SERIES MUNICIPAL STREET LIGHTING—ORNAMENTAL POST SERVICE.

(The rates and charges set forth in Schedule No. 10, C. R. C. Sheet No. 131-E of San Diego Consolidated Gas and Electric Company, issued May 18, 1917, and now on file with this commission.)

ELECTRIC SCHEDULE No. 11.

MISCELLANEOUS STREET LIGHTING SERVICE.

(The rates and charges set forth in Schedule No. 11, C. R. C. Sheet No. 132-E of San Diego Consolidated Gas and Electric Company, issued May 18, 1917, and now on file with this commission.)

ELECTRIC SCHEDULE No. 12.

ORNAMENTAL MULTIPLE BLOCK LIGHTING.

(The rates and charges set forth in Schedule No. 12, C. R. C. Sheet No. 134-E of San Diego Consolidated Gas and Electric Company, issued May 18, 1917, and now on file with this commission.)

ELECTRIC SCHEDULE No. 13.

AUTO CHARGING, HEATING AND COOKING.

This rate applies to energy for small motors, domestic and commercial heating and cooking, laundries for ironing, and special heating service and small three-phase motor generator sets or rectifiers used for charging batteries or automobiles.

Territory.

Applicable to the entire territory served.

Rate.

First 200 kilowatt hours per meter per month, per kilowatt hour.....	3	cents
Next 300 kilowatt hours per meter per month, per kilowatt hour.....	2½	cents
All over 500 kilowatt hours per meter per month, per kilowatt hour....	2	cents

*Minimum charge.*1. *Heating and cooking.*

Six kilowatts or less of connected load per month.....	\$3 00
All over 6 kilowatts of connected load per month, per kilowatt.....	75

2. *Storage battery charging, rectifiers, etc.*

First 3 horsepower or less of connected load per month.....	\$3 00
All over 3 horsepower of connected load per month, per horsepower....	1 00

Special conditions.

1. Service under this schedule is granted in first instance for not less than 12 months.
2. In cases of seasonal service the minimum bill may be made cumulative on a 12-months basis.

ELECTRIC SCHEDULE No. 14.

OPTIONAL INDUSTRIAL POWER SERVICE—LOAD FACTOR SCHEDULE.

This schedule is applicable to energy supplied for all power purposes when the connected load in motors is 100 horsepower or greater, and where the maximum demand each month shall not be less than 50 per cent of the total connected load. Energy to be delivered and measured at a potential of 2,100 volts, consumer supplying necessary transformers.

Territory.

Applicable throughout the entire territory.

*Rate.*1. *Readiness to serve charge.*

\$1.50 per month per kilowatt of maximum demand.

*Plus—*2. *Energy charge.*

1 cent per kilowatt hour.

Minimum charge.

The minimum charge will be at least \$24.00 per connected horsepower per year.

Special conditions.

1. The total charge for any one month is the sum of the demand and energy charges.
2. Maximum demand: The maximum demand is to be determined by approved maximum demand meters as the average maximum demand for at least twenty minutes and the maximum demand used shall be the highest maximum demand registered during the month in which energy is billed.

It is hereby further ordered that San Diego Consolidated Gas and Electric Company be and it is hereby authorized to charge and collect for electric service, in addition to the rates and charges set forth in the preceding section of this order, the following surcharges, to wit:

For energy sold for lighting service, including domestic, commercial, municipal and metered service, 1 cent per kilowatt hour on the first 500 kilowatt hours; 5 mills per kilowatt hour on all over 500 kilowatt hours.

For energy sold for power service, 2 mills per kilowatt hour on the first 5,000 kilowatt hours; 1 mill per kilowatt hour on all over 5,000 kilowatt hours.

For energy sold for heating, cooking and battery charging, 5 mills per kilowatt hour.

For flat rate commercial lighting service, 10 per cent of monthly bills.

For municipal and public outdoor street lighting service, 5 per cent of monthly bills.

Which surcharges shall apply on all regular meter readings taken on and after the first day of May, 1919, and which surcharges shall continue in effect until May 1, 1920, unless ordered otherwise by this commission prior to May 1, 1920; provided San Diego Consolidated Gas and Electric Company shall, within ten (10) days of the date of this order, file with the Railroad Commission of the state of California, the schedules of gas and electric rates and electric surcharges herein authorized; and further provided that San Diego Consolidated Gas and Electric Company shall designate separately on bills rendered its consumers for electricity the surcharges herein authorized.

It is further ordered that San Diego Consolidated Gas and Electric Company shall file with the Railroad Commission on or before the twentieth day of each calendar month a statement of its gas and electric revenue, operating expense and capital expenditure for the preceding month, and such other information as the Railroad Commission shall hereafter request.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-third day of April, 1919.

DECISION No. 6282.

IN THE MATTER OF THE APPLICATION OF PACIFIC ELECTRIC RAILWAY COMPANY TO DISCONTINUE LOCAL PASSENGER SERVICE ON EIGHTH STREET AND MODIFY AND DISCONTINUE SERVICE BETWEEN COLORADO AVENUE AND SUNSET ON THE SANTA MONICA AIR LINE, AND TO DISCONTINUE AFTER SIX P.M. THE SERVICE ON SANTA MONICA BOULEVARD CONDUCTED BY THE CARS OPERATING FROM VENICE TO SAWTELLE OVER SANTA MONICA BOULEVARD.

Application No. 4253.

Decided April 24, 1919.

Applicant granted permission to suspend and modify service on certain of its lines in the city of Santa Monica, excepting its Eighth Street lines, which portion of the application is denied without prejudice to its renewal, provided a revised method of operation is put into effect.

Frank Karr and R. C. Gortner, for Applicant

Victor R. McLucas, city attorney, for city of Santa Monica. Protestant.

Arthur A. Weber, for Santa Monica-Ocean Park Chamber of Commerce, Protestant.

H. W. Bowers, J. A. Prior and J. W. Suel, for Chamber of Commerce of Sawtelle, Protestant.

LOVELAND, *Commissioner*.

OPINION.

Pacific Electric Railway Company, a corporation, has petitioned the Railroad Commission for an order authorizing the discontinuance of passenger service on Eighth street, Santa Monica; the modification and discontinuance of service between Colorado avenue and Sunset on the Santa Monica Air Line; and the discontinuance of service after the hour of 6.00 p.m. on Santa Monica boulevard as now protected by cars operating from Venice to Sawtelle over said Santa Monica boulevard.

A public hearing was held at Santa Monica on January 23, 1919, the matter was duly submitted on briefs to be filed by counsel and is now ready for decision.

Applicant desires to suspend entirely the service now being given on Eighth street, Santa Monica, from the intersection of Santa Monica

boulevard to Garfield avenue, a distance of six blocks, over which service is operated between the hours of 6.05 a.m. and 11.05 p.m. on a scheduled 30-minute headway. It is alleged that the travel on such line is very light and that the revenue derived from the operation is not sufficient to defray the cost of operation of such service.

Applicant operates a car line from Port Los Angeles Wharf to Sunset on the Santa Monica Air Line, and alleges that there is no travel on this line from Colorado avenue to Sunset, except at rare intervals. Authority is requested for the modification of service and the discontinuance of service between Colorado avenue and Sunset.

Applicant operates a line of cars over Santa Monica boulevard, such cars operating from Venice to Sawtelle. It is alleged that after the hour of 6.00 p.m. these cars are very lightly patronized and that the revenue derived from such operation is insufficient to defray the cost of operation. Authority to discontinue operation after the hour of 6.00 p.m. is requested and it is alleged that the proposed reduction of service will save the expense of 130 car miles and 23 man hours daily, releasing two cars for service on other lines of the applicant's system.

The granting of this application is protested by the Chamber of Commerce of the city of Sawtelle, the city of Santa Monica, the Santa Monica-Ocean Park Chamber of Commerce, the Santa Monica Bay Merchants Association, the Merchants Association of Santa Monica, the Young Men's City Club of Santa Monica and other residents and property owners of Ocean Park and Santa Monica.

Mr. F. L. Annable, general superintendent of Pacific Electric Railway Company, testified that the service on Eighth street, Santa Monica, extended over a route from the intersection of Eighth street with Santa Monica boulevard, a distance of .95 miles, to the intersection of Eighth street and Garfield boulevard. That service was operated between the hours of 6.05 a.m. on a 30-minute headway until 11.12 p.m. by the use of a one-man car, such car making 35 round trips or a total mileage of 66.5 daily. The cost of operation and maintenance is estimated at \$4,195.53 per annum, such cost eliminating items of interest on investment and depreciation on the value of the car and track and overhead construction, and also overhead expenses such as the salaries of officials, etc. The results of three checks of travel were offered as indicating the patronage accorded the line, as follows:

	Daily average
April 29 to May 5, 1918, inclusive.....	133.7 passengers
October 28 to November 6, 1918, inclusive.....	52.6 passengers
January 17 to 21, 1919, inclusive.....	82.0 passengers

On the basis of each passenger paying a 5-cent fare, the revenue derived per annum from the operation of the Eighth Street line would be \$2,440.03, \$959.95 or \$1,496.50 in accordance with the check taken

as a representative period. The most favorable check of travel as offered in evidence indicates an annual operating loss of \$1,755.50 per annum, excluding entirely any interest on investment, depreciation on cars, track or overhead, or salaries of officials and other administrative expenses.

Mr. H. B. Titcomb, vice president of Pacific Electric Railway Company, testified that the net deficit of the company for the calendar year 1918 amounted to \$1,692,164.76 and that such deficit had accumulated, notwithstanding that increased fares had been received during a portion of the year, and that the general situation of the company required the elimination of all possible service where lines could not be operated and secure sufficient revenue to at least equal the cost of operation.

The granting of this portion of the application is protested on the basis that the schedule as at present arranged permits of too much layover time at the intersection of Eighth street and Santa Monica boulevard, that such layover time could be used in continued operation without more expense being incurred than would be required for the power consumed and the slight increase in maintenance costs; that the service as at present operated is not reliable as regards the matter of connection with cars operating on Santa Monica boulevard; that the line was originally constructed as a compromise between the railroad and the city of Santa Monica and as a result of the granting of permission by the city council for the removal of tracks formerly laid on Fourth street, Santa Monica; that the line should be connected up with and be operated in conjunction with a line now operated on Third street or by a rerouting of cars now operated on the "Westgate Line" by the construction of a new line from the intersection of Fourth street and the private right of way of the Pacific Electric Railway Company, a distance of five blocks along Fourth street to the intersection of Fourth street and Montana street; that the tracks now existing on private right of way from the intersection of Fourth street to Ocean avenue and along Ocean avenue to Santa Monica boulevard be abandoned and the cars of the "Westgate Line" now using such tracks operate over the new construction on Fourth street on Montana street and Third street to Santa Monica boulevard or Utah street and thence to Ocean avenue; that the present wage scale paid operators of one-man cars on Eighth street is not justified as a fair presentation of cost of wages for operation of the line; that the Eighth Street line should be extended to reach other residences; that the Eighth Street line should be extended to Tokio Station in Venice or to Fredericks Station on the Venice Short Line.

The Eighth Street line serves the pupils of the Santa Monica High School and the Garfield grade school, the former having a normal

attendance of about four hundred eighty, the latter of about two hundred. Should the application for discontinuance of service be granted, the pupils of these schools now using the service offered by this line would be required to walk a distance of over half a mile. The line further offers service to attendants of the night school and for persons who attend entertainments or meetings at the auditorium in the High School building.

The contention of protestants regarding the scale of wages paid the operators of the one-man car used on this line not reflecting a proper showing as to the amount of wages which should be considered in the operating costs can not be seriously considered under the operating conditions and agreement with platform men. It is customary to pay platform wages on the basis of length of employment and an allowance over the ordinary wage schedule is made to the operators of a one-man car. Runs are bulletined and from such bulletin of vacant runs a selection is made by the employees, the oldest employee having the first choice of run. Runs operated by one-man cars are attractive in that they carry with them a slight increase in the rate per hour over that paid platform men on two-man car operation, and the hours and work are usually more attractive than are those where two-man car operation is in use. The applicant is entitled to set up the actual expenditures necessary for wages which have been paid in the operation of the line herein sought to be abandoned, and it is understood from the record in this matter that such actual wages only have been set forth for the consideration of the commission.

In the matter of the layover time at the terminal at Eighth street and Santa Monica boulevard and the contention that the operation should be so arranged that extra trips might be accomplished at no additional expense than the power consumed and the increased maintenance incident to additional mileage operated: The record does not indicate that any substantial increase in the traffic would be enjoyed and I do not feel justified in recommending that additional mileage be operated on this line.

The Santa Monica-Ocean Park Chamber of Commerce has suggested that a change be made in the operation of the line by combining same with the Westgate Line, also a proposed extension of the line on Eighth street to Ashland avenue. This change, as is the case with the suggested extensions to Tokio Station in Venice or to Fredericks Station on the Venice Short Line, would require additional capital expenditure and without any immediate prospect of improving the conditions as to revenue in an amount sufficient to meet operating expenses and the items of taxes, depreciation and a reasonable return on the value of the property devoted to the service.

The city of Santa Monica has suggested that a combination be made of the Eighth street service with that now operated on Third street whereby two one-man cars would be operated from Seventh and Montana streets west on Montana to Third street, south on Third street to Santa Monica boulevard, east on Santa Monica boulevard to Eighth street and south on Eighth street to the end of the Eighth Street line at Garfield avenue. This service would allow a 20-minute headway and could be accomplished with the use of two one-man cars, a 30-minute headway to be established at the time the Venice Short Line was operating on a 30-minute headway. This plan of operation appears entirely feasible and is worthy of a trial for a period sufficiently long to establish the attitude of the citizens of Santa Monica toward its patronage. The abandonment of service on the Eighth Street line will interfere with access to the High and Garfield schools, the schedules have not heretofore been dependable as regards the matter of connections with other city lines in Santa Monica and with the interurban lines serving Santa Monica, and a trial of the proposed service in combining the Eighth Street line with the Third Street line will not require additional capital expenditure on the part of the applicant herein and should be made. I recommend that the application for the abandonment of the Eighth Street line be denied until such time as a combined schedule with the Third Street line will have been placed in effect for a period of 90 days, and that if at the expiration of such period the operating revenues of such combined service do not at least equal the cost of operation, exclusive of depreciation, taxes and interest on investment, that applicant again petition the Railroad Commission for the suspension of service.

I will now consider the matter of the requested modification of service and discontinuance of operation between Colorado avenue and Sunset on the Santa Monica Air Line.

The service on this line has been given by a two-man car operating on a 45-minute headway and a check of the patronage made during the month of December, 1918, averaged but 25 passengers on 40 single trips. A check made in January, 1919, over a five-day period showed an average of 28 passengers on 40 single trips. Assuming that a 5-cent fare was collected from each passenger, the annual revenue on the basis of the December, 1918, check would amount to \$456.25, and on the basis of the January, 1919, check would average \$511.00. The cost of operation in this instance greatly exceeds the revenue derived and it is apparent that the operation of this portion of the line is conducted at a material loss, and that in view of the general condition of the entire operation of all the lines of the applicant and the substantial failure to meet fixed charges resulting from such operation as hereinabove referred to, the applicant should be relieved of the operation

between Colorado avenue and Sunset. It is not practicable, nor consistent with safety, to operate this line with a one-man car, nor could such operation be made on a basis of the revenue meeting the bare operating costs, exclusive of interest, taxes, depreciation and overhead expense. I, therefore, recommend that this portion of the application be granted.

In the matter of the requested discontinuance of service after the hour of 6.00 p.m. of the cars operated from Venice to Sawtelle over Santa Monica boulevard, such reduction in service to result in the elimination of 131 car miles and 23 man-hours daily, releasing two cars for service on other lines of applicant. A check made during the month of January, 1919, on four days, January 17, 18, 20 and 21, indicated a total travel of 148 passengers per day during the hours upon which abandonment of service is requested. The total estimated annual revenue on the basis of the check is \$3,623.04 and the total estimated operating cost, excluding the maintenance of track, depreciation of track and overhead, interest on value of cars, track, overhead and administrative expense is \$4,748.73, a net annual deficit of \$1,125.69. The city of Santa Monica protests the proposed discontinuance of service after the hour of 6.00 p.m. and alleges that the lack of patronage on Santa Monica boulevard is due principally to the infrequent service offered the public, and that if a service on a five-minute headway were to be established, the competition of jitney busses would cease and that the line would become immediately profitable, and that the proposed reduction of service will result in a 30-minute headway after the hour of 6.00 p.m. instead of a 15-minute headway now given throughout the day and evening hours. Counsel for protestant refers in his brief to the jitney bus competition between Sawtelle and Venice, such competition paralleling the line of the Pacific Electric Railway on Santa Monica boulevard, stating that "twenty or twenty-five jitney busses operate between Sawtelle and Venice through Santa Monica via Santa Monica boulevard under permits issued by the Railroad Commission and licenses issued by the respective cities." No certificate of public convenience and necessity has ever been granted by the Railroad Commission for any jitney bus operation over the route stated, and all operation of such vehicles was in effect prior to May 1, 1917, the date that the legislature, at the time of enacting chapter 213, laws of 1917, recognized the right of such operators to do business without the requirement of securing a certificate of public convenience and necessity from the Railroad Commission and permits from the governing bodies of all political subdivisions through which such routes operated. The public desiring transportation, when jitney bus competition is present, have the option between street car and automobile transportation. In many instances, however, an ultimate choice must be made between the respective forms

of transportation, as but infrequently will the traffic support both methods of transportation. I am of the opinion, and therefore recommend, that this portion of the applicant's petition should be granted.

ORDER.

Pacific Electric Railway Company having made application for authority to abandon service on its Eighth street line in the city of Santa Monica; to modify and discontinue service between Colorado avenue and Sunset on the Santa Monica Air Line; and to discontinue, after 6.00 p.m., the service on the Santa Monica boulevard conducted by the cars operating from Venice to Sawtelle over Santa Monica boulevard; a public hearing having been held, the matter having been duly submitted and briefs having been filed by counsel for applicant and protestants, and the commission being fully advised,

It is hereby ordered that the application for the suspension of service on the Eighth Street line in Santa Monica be, and the same hereby is, denied, such denial being without prejudice to a renewal of this application, provided that a revised method of operation be inaugurated and continued for a period of 90 days whereby the Eighth Street line and the so-called Third Street line are operated as a unit, using two one-man cars and operating from Seventh and Montana streets west on Montana street to Third street, thence south on Third street to Santa Monica boulevard, thence east on Santa Monica boulevard to Eighth street, thence south on Eighth street to the intersection of Garfield avenue and Eighth street. Such operation to be on the basis of a 20-minute headway until the hour at which the cars operating on the Venice Short Line are placed on a 30-minute headway and to be operated thereafter on a 30-minute headway until approximately 11.00 p.m. Arrangements should be made in the preparation of the operating schedule to connect with cars of the Venice Short Line. Accurate account of all expenditures and revenue should be kept for the 90-day period hereinabove referred to and should be filed with this commission.

It is hereby further ordered that the application for the modification and discontinuance of service between Colorado avenue and Sunset on the Santa Monica Air Line be and the same hereby is granted.

It is further ordered that the application for the discontinuance of service on Santa Monica boulevard, after the hour of 6.00 p.m., now conducted by the cars operating from Venice to Sawtelle over Santa Monica boulevard be and the same hereby is granted.

The Railroad Commission hereby reserves the right to make such other and further orders in this proceeding as to it may appear just and proper or as may be required by the public necessity and convenience.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-fourth day of April, 1919.

DECISION No. 6283.

IN THE MATTER OF THE APPLICATION OF THE A. R. G. BUS COMPANY FOR A CERTIFICATE OF PUBLIC NECESSITY AND CONVENIENCE TO OPERATE AUTOMOBILES AND AUTO STAGES FOR THE TRANSPORTATION OF PERSONS FOR COMPENSATION ON AND OVER THE PUBLIC HIGHWAYS OF THE CITY OF WHITTIER, CALIFORNIA, IN CONNECTION WITH AND AS A PART OF ITS OPERATIONS BETWEEN THE CITIES OF LOS ANGELES AND SAN DIEGO, CALIFORNIA, AND POINTS INTERMEDIATE OVER SAID ROUTE.

Application No. 4112.

Decided April 24, 1919.

AUTO BUS SERVICE--COMPETITIVE LINES.—The fact that an auto transportation company has been unable, on several occasions, to handle all traffic offered, is not sufficient to warrant the commission in granting an application permitting competition, especially where it is shown that the existing company has taken all possible steps to observe the rules governing automobile stages, particularly with reference to overcrowding.

Petition of applicant for permission to enter the city of Whittier denied without prejudice to its renewal, if after sixty days it is shown that existing auto transportation company has not taken steps to care for all travel offered at peak hours.

Marshall Stinson, G. E. Mills and William L. Hamlin, for Applicant.

H. W. Kidd, for White Bus Line, Protestant.

Frank Karr, for Pacific Electric Railway Company, Protestant.

BY THE COMMISSION.

OPINION.

A. R. G. Bus Company, a corporation, has petitioned the Railroad Commission for an order declaring that public necessity and convenience require the operation by it of an automobile stage line as a common carrier of passengers over the public highways of the city of Whittier in connection with and as a part of its operations between Los Angeles and San Diego, California.

Public hearings were conducted by Examiner Handford at Los Angeles on February 17 and 19, 1919, the matter was duly submitted and is now ready for decision.

Applicant operates automobile stage service as a common carrier of passengers between Los Angeles and San Diego and also a local service

between Los Angeles and Anaheim, the local service being operated over the same route as the through service. The state highway over which applicant conducts its operation is outside the corporate limits of the city of Whittier, such highway forming a portion of the route over which applicant was operating on May 1, 1917, which was the date that the legislature recognized operators as not being required to secure certificate of public necessity and convenience from the Railroad Commission and permits from the governing bodies of the various political subdivisions through which their routes passed in accordance with the provisions of chapter 213, laws of 1917.

Applicant now seeks entry into the incorporated city of Whittier, a deviation from the route over which it was operating as of May 1, 1917, and such deviation requires the securing of a certificate of public convenience and necessity from the Railroad Commission and a permit from the board of trustees of the city of Whittier.

Applicant has secured a permit from the board of trustees of the city of Whittier, as required by the provisions of section 3, chapter 213, laws of 1917 (such permit authorizing the use of such highways as may be necessary to be used in going to and passing from the limits of the city to the station or stations maintained by the applicant), as evidenced by copy thereof filed with the application herein.

At the hearing on this proceeding the specific route sought by applicant was amended as follows: From the state highway at Philadelphia street, along Philadelphia street approximately six-tenths of a mile to the station located at the intersection of Greenleaf avenue and Philadelphia street, thence along Philadelphia street to its intersection with Painter street, thence along Painter street south to the intersection of Painter street with the state highway.

Witnesses for applicant, sixteen in number, testified as to thirty-eight specific instances upon which they were unable to secure passage on the auto stages of the White Bus Line but were required to either wait for passage on a later bus or to arrange for other methods of transportation.

The majority of instances in which witnesses desired transportation occurred at times when the peak load was being transported and principally from the White Bus Line's station at Whittier. Witnesses for applicant, who had been engaged in a check of the operation of the White Bus Line as regards passengers left, testified that for the period from April 27 to May 11, 1918, inclusive, a total of twenty-three passengers were left at the station of the White Bus Line in Los Angeles and a total of sixty-one passengers were left at the station of the White Bus Line in Whittier.

Checks covering observations of certain trips during the period February 4 to 15, 1919, inclusive; observations having been made on

eleven days indicating two hundred fifty-two passengers who were left after the departure of scheduled trips from the Los Angeles station of the White Bus Line and one hundred sixty-two passengers who were left after the departure of scheduled trips from the Whittier station of the White Bus Line.

On February 9 the 6.00 p.m. trip from Los Angeles to Anaheim was not protected. On February 8 the 5.20 p.m. schedule from Whittier to Los Angeles was not protected. On February 15 the 2.50 and 3.50 p.m. schedules were not protected from Whittier to Los Angeles.

Evidence was also given regarding cars leaving terminal stations with passengers standing and, while in some instances passengers who were not able to secure transportation on the regularly scheduled bus were transported to destination by extra busses, a number of instances appeared where passengers were required to wait ten or fifteen minutes to secure the desired service.

Mr. W. R. Forker, general manager of the A. R. G. Bus Company, testified that on the through line operated between Los Angeles and San Diego an average of one passenger per day was handled from Whittier to points south of Anaheim, and an average of two passengers per day were handled to Whittier from points south of Anaheim, and an average of two passengers per day were received from the connecting line of the Crown Stage Company destined Whittier; and these passengers would receive the benefit of service to the business district of Whittier and would be accommodated by the establishment of the route sought by applicant herein.

The granting of this application is opposed by the White Bus Line and the Pacific Electric Railway Company.

The White Bus Line operates twenty-eight round trips daily between Los Angeles and Anaheim, serving their station of Whittier as an intermediate point. This company claims to be furnishing adequate service and to be in a position to provide such additional service and equipment as the requirements of traffic may necessitate between Whittier and Los Angeles.

Statements were filed as exhibits showing that, during the period July 1 to 31, 1918, inclusive—Los Angeles to Whittier—868 regular scheduled trips and 405 extra trips were operated, a total of 1,273 trips with a total seating capacity of 18,470, of which capacity 11,578 seats were occupied, leaving 6,890 seats unused, or approximately 37 per cent.

During the same period—Whittier to Los Angeles—the same total number of trips were operated to care for regular schedules and extra trips: a total seating capacity of 18,470, of which capacity 10,876 seats were occupied, resulting in 7,594 seats being unused or approximately 41 per cent.

During the period February 1 to 10, 1919, inclusive—Los Angeles to Whittier—280 regular trips were operated and 245 extra trips, or a total of 525. These trips offered a seating capacity of 7,576, of which number 5,556 seats were used, leaving 2,020 unused seats or approximately 26.6 per cent seating capacity unused.

During the same period—Whittier to Los Angeles—the same number of regular and extra trips were operated offering a total seating capacity of 7,576 of which number 5,141 seats were used, leaving 2,435 unused seats or approximately 32 per cent.

Further statements were filed as exhibits showing the empty cars operated to and from Whittier during the months of August and September, 1918.

This statement shows the following result:

	From Whittier	From Los Angeles
August, 1918	91 trips	51 trips
September, 1918	93 trips	51 trips
Total.....	184 trips	102 trips

The total number of empty seats represented by these statements, according to computations of protestant White Bus Line, aggregated 4,072 and, as all these busses were operated empty, the primary reason for such operation was for the protection of schedules and for overloads beyond the capacity of regularly assigned scheduled cars.

The months for which statements have been submitted as exhibits are stated to be typical months as regards stage operation, although the figures applicable to the portion of the month of February, 1919, were prepared with a view of indicating actual conditions as existing for the period just preceding the hearing on this application.

It is apparent that the White Bus Line have, by reason of operating extra cars and in many instances without any patronage whatsoever, endeavored to reduce to a minimum the matter of overflow loads which may offer and which can not be cared for due to the limitation imposed by the commission's regulation prohibiting the overcrowding of cars. It is also, however, apparent that some overloading has existed.

The Pacific Electric Railway Company protests the granting of this application for the reason that such company claims that it has adequate seating capacity in its cars to care for any and all traffic which may offer between Los Angeles and Whittier, although this company does not serve some intermediate points which are reached directly by the auto stage lines.

There was no controversy as to the Pacific Electric Railway Company possessing adequate equipment to satisfactorily handle the traffic or as

to the ability of such company to place additional equipment in service should the demands of traffic justify. Witnesses, however, testified that they preferred the service of the auto stage lines for the reason that the fares were less on the stage lines, and also the time consumed between Los Angeles and Whittier.

The schedules of the White Bus Line specify forty-five minutes as the running time between Los Angeles and Whittier, also those of the A. R. G. Bus Company. The schedules of the Pacific Electric Railway Company specify from forty-four to forty-six minutes as the running time between Los Angeles and Whittier. A comparison of the fares charged by the White Bus Line, the A. R. G. Bus Company and the Pacific Electric Railway Company is as follows:

	Pacific Electric Railway	White Bus Company	A. R. G. Bus Company
One way -----	\$0 41	\$0 30	\$0 30
Round trip -----	67	45	45
10-ride -----	2 87	1 75	1 75
30-ride family -----	6 83	5 20	5 20
60-ride individual -----	8 33		
52-ride individual -----		6 50	

It is apparent from the above compilation that the present rates of the automobile stage lines are more attractive, if coupled with service consuming approximately the same scheduled time, than are the rates offered the traveling public by the Pacific Electric Railway Company.

While the evidence in this proceeding indicates that in some instances passengers have not been able to secure transportation on the first stage leaving terminals on the scheduled time as filed with this commission, and while some scheduled trips have been omitted, the evidence indicates that proper efforts are being made to provide adequate equipment for the transportation of the patrons of the White Bus Line between Whittier and Los Angeles, the operating rules and safety regulations of the commission prohibiting the carrying of more passengers than are cared for by the seating capacity of stages, such rule having been made in the interest of safety and to prevent overcrowding of cars with the consequent danger to the public using such method of transportation. This necessitates a considerable amount of equipment being required to handle overflow loads beyond that requisite for the protection of scheduled trips and, as is indicated in exhibits of the protestant, White Bus Line, hereinabove referred to, also results in the operation of a considerable amount of unprofitable mileage to protect overflow loads which may offer at the peak hours at the time of scheduled trips.

We are of the opinion that the protestant, White Bus Line, is able to furnish adequate transportation facilities for all passengers desiring stage transportation over the portion of the route between Los Angeles

and Whittier as sought by the applicant herein, and that the public convenience and necessity would not be served if an additional operative right were to be granted applicant herein, as such authorization would only serve to reduce complaint as to overload conditions at the time of peak loads, the evidence not indicating that there is sufficient business at other hours to justify the establishment of an additional line. It is the duty, however, of protestant White Bus Line to so arrange its schedule and operating methods that the causes of complaint relative to overcrowding and delay, as indicated by the evidence in this proceeding, may be eliminated and the public hereafter receive the character of service to which protestant White Bus Line has obligated itself when assuming the duties of a common carrier and as required by the regulations of this commission; otherwise, the commission will give consideration to application for additional competitive service over the portion of the route herein sought.

After careful consideration of all the evidence and of the exhibits filed in this proceeding, we are of the opinion and find as a fact that public convenience and necessity do not at this time require the operation of an additional automobile stage line as a common carrier of passengers over the route within the city of Whittier as herein applied for by applicant, and that the existing stage line operated by the protestant, White Bus Line, is able and willing to furnish adequate transportation service for the public desiring accommodation by stage service between Whittier and Los Angeles over the portion of the route herein sought by applicant.

ORDER.

A. R. G. Bus Company, a corporation, having petitioned the Railroad Commission for an order declaring that public convenience and necessity require the operation by it of an automobile stage line as a common carrier of passengers within the incorporated limits of the city of Whittier; public hearings having been held, the matter having been duly submitted, and the commission being fully advised and basing its order on the finding of fact as set forth in the preceding opinion, the Railroad Commission hereby declares that public convenience and necessity do not at this time require the operation of an additional automobile stage line as a common carrier of passengers within the incorporated limits of the city of Whittier, and

It is hereby ordered that this application be and the same hereby is denied without prejudice to a renewal of same if after a period of sixty days the operative conditions of protestant White Bus Line have not been improved to properly care for travel during peak hours of travel.

Dated at San Francisco, California, this twenty-fourth day of April, 1919.

DECISION No. 6284.

IN THE MATTER OF THE APPLICATION OF LATHROP HAY COMPANY
FOR AUTHORITY TO INCREASE RATES FOR THE STORAGE OF
HAY AT HOLLISTER.

Application No. 4434.

Decided April 24, 1919.

WAREHOUSES—LAND NECESSARY FOR—RETURN ON.—It is held that twenty-seven acres of land is entirely too large and is unnecessary in the operation of four public utility warehouses, and that should it be necessary to base rates on property values, the present value of the entire acreage could not be included in the amount upon which a return is allowed.

WAREHOUSE ACCOUNTS—SEGREGATION OF.—A warehouse utility engaged in other business of a private nature is required to keep its public utility accounts separate from its private accounts so that its reports will show earnings and expenses of its utility business only. Applicant granted permission to put into effect an increased schedule of rates for the storage of hay.

R. P. Lathrop, in propria persona.

MARTIN, *Commissioner.*

OPINION.

Applicant herein owns and operates as a public utility four warehouses, located in the town of Hollister and devoted entirely to the storage of hay. The rates at present in effect are \$1.25 per ton for the first season and \$1.00 per ton for each subsequent season, extending from May 15 of a given year to the same date of the following year. The present rates cover all necessary handling, including loading to cars or teams. Applicant asks authority to make an increase of 25 cents per ton per season. There is also in effect a loading charge of 50 cents per ton covering the services performed in loading hay direct to cars from teams or from the yard without involving any warehouse service but it is not proposed to increase this rate. On the average hay tonnage handled during the four years ending May 15, 1915, 1916, 1917 and 1918, namely, 10,182 tons, the increased rates should produce an additional revenue amounting to approximately \$2,500.00 per annum.

Applicant, in addition to the storage of hay, also buys and sells this commodity, which business is carried on in conjunction with its warehouse activities, the two enterprises being more or less dependent the one upon the other.

Applicant's reports to the commission show separately the revenue received from these two sources, but, unfortunately, general or overhead expenses have not been segregated in the same manner. The warehouse business alone is claimed to be unprofitable owing to recent sharp increases in operating expenses and a decline of approximately

50 per cent in the volume of hay stored, due to changing agricultural and horticultural conditions. The truth of this contention seems evident, even in the absence of an allocation of expenses between the warehouse and merchandising business.

While applicant's early reports to the commission show but slight profits from hay merchandising, the years ending May 15, 1916, 1917 and 1918, respectively, produced handsome returns for the company from its entire activities. Applicant claims to be essentially a warehouse concern, but maintains that its operating expenses in the storage of hay would vary but little were the buying and selling of hay entirely eliminated, and while this may be true, it is also obvious that the possession of the warehouses and offices, properly organized, is of great value in the buying and selling of hay.

As previously indicated, the property devoted to the storage of hay consists of four wooden frame warehouses, with walls and roofs of galvanized corrugated iron, having a value of \$43,000.00 and a combined capacity for the storing of 19,500 tons of hay. In addition to the value of the warehouses, there should be added the value of about one mile of railroad spur tracks, six draft horses and trappings, stables, track scales, office building and general warehouse equipment, bringing the total investment to approximately \$50,000.00, exclusive of 27 acres of land on which the buildings are located. The land is valued at \$800.00 per acre or \$21,600.00. Applicant's warehouses are widely separated from each other, being placed at more or less regular intervals over the entire 27 acre tract. This arrangement, it is alleged, is for better fire protection and to secure lower insurance rates. The reasons here assigned, though ordinarily commendable, do not justify the setting aside of so large a tract of valuable land, rendering the entire acreage practically valueless for other uses, and on which the warehouse patrons are expected to pay a return in the way of rates. Were it necessary in this case to undertake to establish a system of rates based upon proper and necessary investment, it would be essential to reduce to a convenient minimum the land here involved and likewise the plant, now 50 per cent idle, but actual operating results, after deducting merchandising profits, result in deficits equal to if not greater than the revenue anticipated from the proposed increase in rates, so that it is not deemed necessary in this proceeding to find a rate base value for the property of applicant, used and useful in the conduct of its public utility business. However, the recommendation is made in the interest of practical economy and the beneficial use of the land that material reduction in plant and land devoted exclusively to hay warehouse purposes is desirable.

This application is based largely upon the claim that the acreage formerly devoted to the production of hay in the vicinity of Hollister

is now being turned into orchards or planted to sugar beets, tomatoes, garden seed and other crops not ordinarily stored in warehouses, so that applicant's outlook for the future is not promising in so far as the prospective storage of hay is concerned, said production now amounting to about 45 per cent of the tonnage produced in former years. These facts were abundantly supported by the testimony. It is also alleged that in the loading of hay from applicant's warehouse, it is just as expensive to load one car or eight cars per day, for the reason that the same loading crew is necessary in each case. Testimony introduced at the hearing shows that the wages of warehouse employees have increased from \$12.00, \$15.00 and \$18.00 per week paid in 1913, to \$18.00, \$21.00 and \$24.00 per week paid in 1918, or a minimum increase of 33½ per cent. Also, that fire insurance has increased 10 per cent; rope 100 per cent; incidentals 40 per cent to 50 per cent; while the reduction in the amount of hay stored, comparing 1913 with 1918, approximates 45 per cent. According to testimony introduced at the hearing, the approaching season will show a further decline in hay tonnage.

The hearing in this proceeding was held at Hollister on April 8, 1919. The usual publicity was given to the proceeding, including the sending of personal notices by registered mail to each of applicant's warehouse patrons, but no one appeared at the hearing to protest against the proposed increase in rates or to otherwise intervene in connection with the changes proposed.

The rate of \$1.50 per ton per season for which applicant asks is now the rate in effect at a number of warehouses engaged in the storing of hay in the Livermore and San Ramon valleys and elsewhere.

It appears fair and reasonable that, under all the conditions surrounding applicant's service, with special reference to increased operating costs, reduction of acreage devoted to the growing of hay and the high class service rendered, the application should be granted and it is so recommended. At the same time it is obvious that the plant, so far as it pertains to both acreage and buildings, is largely in excess of future requirements, especially if the tendency to produce crops not requiring storage continues. Alterations should therefore be made to meet the changing conditions in order that applicant's patrons may not be called upon to pay rates for storage on an investment not now used or useful in the business of storing hay.

Applicant should be commended for the orderly manner in which it keeps its accounts and also for the care and attention given to its entire plant. Applicant, in future, should be required to keep segregated accounts of the expenses between the utility and the nonutility branches of its business, and its reports to the commission should show earnings and expenses in such a manner that the commission may

determine whether applicant, as a public utility, is gaining or losing in its operations.

I recommend the following form of order:

ORDER.

Lathrop Hay Company, engaged in the business of warehousing at Hollister, having applied to the Railroad Commission for an order authorizing an increase in rates for the storage and handling of hay, a public hearing having been held, the matter having been submitted and being now ready for decision,

The Railroad Commission hereby finds as a fact that the existing rates are unreasonable and noncompensatory and that the rates hereinafter authorized are just and reasonable rates.

Basing its order on the foregoing finding of fact and upon the further findings of fact contained in the opinion which precedes this order,

It is hereby ordered that Lathrop Hay Company be and it is hereby authorized to establish the following rates for the storage of hay:

	Per ton
First season (12 months, May 15 to and including the same date of the following year) -----	\$1 50
Second season, and each period of 12 months thereafter-----	1 25

It is further ordered that in future Lathrop Hay Company keep its accounts in such a manner as to show a proper segregation of its income and expenses, separating the income received and the expenses incurred in connection with the storage business from its nonutility activities.

It is further ordered that the rates herein authorized shall not become effective until the same have been published in a tariff, in conformity with the rules and regulations of the Railroad Commission, and shall be filed with the commission within thirty (30) days from the effective date of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-fourth day of April, 1919.

DECISION No. 6285.

IN THE MATTER OF THE APPLICATION OF THE NORTHERN CALIFORNIA POWER COMPANY, CONSOLIDATED, A CORPORATION, FOR AN ORDER AUTHORIZING IT TO INCREASE ITS RATES AND CHARGES FOR ELECTRIC ENERGY.

Application No. 4028.

Decided April 24, 1919.

ELECTRIC UTILITIES—FLUCTUATIONS IN RATES.—An electric utility serving a number of large consumers such as mines and smelters, which business fluctuates yearly, will not be permitted to require its smaller and regular consumers to carry the burden of lean periods while it benefits solely during good years, when the business as a whole, over a period of years, provides a fair average return.

RATE OF RETURN—OPERATING EXPENSES, INCREASES IN.—It is held that a utility is entitled to the rate of return which would have obtained under former conditions, if such return was reasonable, and that present rates should be increased sufficient to offset increases in direct operating expense.

Applicant granted permission to put into effect for meter readings made on and after May 1, 1919, an increase of 10 per cent over its present schedule of electric rates, provided that such increase shall not apply to rates in competitive territory, which have already been increased, or to its wholesale rate to Pacific Gas and Electric Company.

Allan P. Matthew, for Applicant.

Harrison & Harrison and *W. P. Johnson*, for Los Molinos Land Company.

Harrison & Harrison and *Harold Wheeler*, for M. L. M. Cone, Cone Ranch Company, Cone & Ward Company, and Mary R. Runyon.

Wilson & Wilson, for Leland Stanford Junior University.

W. D. Tillotson, city attorney, for city of Redding and Mountain Copper Company.

Harry Donnelly, city attorney, for city of Kennett.

E. L. Randall, city attorney, for city of Corning.

Bacigalupi & Elkus, by *Charles DeY. Elkus*, for the Provident Irrigation District.

Alfred Sutro and *O. J. Eggleston*, for the United States Smelting, Refining and Mining Company.

R. P. Lewis, for Shasta Dredging Company.

E. McAllister, for Antelope Creek and Red Bluff Water Company.

Chickering & Gregory and *J. S. Houseman*, for Somers & Company.

EDGERTON, *Commissioner*.

OPINION.

In this proceeding Northern California Power Company, Consolidated, applies for authority to increase its rates and charges for electricity, alleging that its operating expenses have increased to such an extent as to necessitate increased revenue in order to obtain a reasonable return from its business and to preserve its financial status.

Applicant originally prayed for certain specific increases in its rates in the form of surcharges for its several classes of service, but amended

its petition requesting relief in whatever form the commission might deem proper.

Northern California Power Company, Consolidated, hereinafter referred to as applicant, is engaged in the generation, transmission and distribution of electricity, the production and distribution of gas and in the service of water in the northern end of the Sacramento Valley. It supplies most of the principal communities in this section, irrigation load in the rural districts and considerable mining and smelting load at the northern end of its system. This proceeding embraces applicant's electric business only.

The Railroad Commission fixed the electric rates of Northern California Power Company, Consolidated, in Decision No. 3624 in Application No. 1625 and in Cases Nos. 675, 676, 677 and 711 (Vol. XI, Opinions and Orders of the Railroad Commission of the State of California, page 37).

The commission exhaustively investigated all of the affairs of the company, and by Decision No. 3624 established electric, gas and water rates. All questions of valuation were thoroughly covered in this previous proceeding and the figures there found will be used as a basis for the present capital upon which return is to be earned.

Applicant's claim for rate increases at this time involves three principal factors:

First—An increase of approximately \$100,000.00 per annum in operating expenses;

Second—A probable loss in revenue due to the return to former conditions in mining, smelting and irrigation; and

Third—The inclusion of approximately \$1,300,000.00 of hydro-electric properties which were classed as nonoperative in 1916 at the time Decision No. 3624, *supra*, was handed down, which property applicant now claims has, by reason of the growth of its load, become fully operative and upon which it is therefore entitled to earn a return.

Applicant's business of supplying electricity at the northern end of the Sacramento Valley has grown substantially since its inception, and particularly since 1915. This growth has been irregular. By far the largest portion of the energy sold by applicant is for mining operations, for irrigation pumping and at wholesale to Pacific Gas and Electric Company. The activities of the mining industries of this section are subject to wide variation from year to year with a consequent effect upon use of power and upon the earnings of applicant. Similarly the use of power in irrigation is adversely affected by seasonal rainfall, and the sale of power to the Pacific Gas and Electric Company is governed partly by the demand of that company and partly by the amount of power available on applicant's system not otherwise absorbed by its own load.

Northern California Power Company, Consolidated, is exclusively an hydroelectric utility, there being no steam reserve. This is of particular moment in the present instance when contrasted with other utilities in this section of the state, for the largest factors in the increased cost of the others has been attributable to fuel oil prices.

Applicant's gross revenue and operating expenses by twelve months periods have been as follows:

TABLE I.
Northern California Power Company, Consolidated.
ELECTRIC DEPARTMENT.
Gross Revenues and Operating Expenses.

	Gross revenue	Maintenance and operating expense
Year ending June 30, 1916.....	\$753,689 00	\$212,222 00
Year ending December 31, 1916.....	768,788 00	245,661 00
Year ending June 30, 1917.....	771,527 00	251,857 00
Year ending December 31, 1917.....	882,102 00	261,135 00
Year ending June 30, 1918.....	1,015,382 00	283,762 00
Year ending December 31, 1918 (partially estimated)...	1,045,814 00	300,021 00
Year ending December 31, 1919 (applicant's estimate)...	962,519 00	333,126 00

An apparent steady growth has occurred to the end of 1918. However, if the items which make up these figures year by year be examined, it is found that each class of business mentioned above has been subject to wide variation. The greatly increased revenue of the year 1918 is the result of expansion in mining and smelting occasioned by the war, by greatly enlarged activities in irrigation, due not only to a very dry year but due also to the extensive cultivation of rice and to a shortage of power on the other electric systems in this section of the state which permitted applicant herein to supply all of its excess available during the dry season.

The figures of operating expense in Table I above, cover only the maintenance and operation of the properties, not including any taxes, reserves, or depreciation allowance, and represent only applicant's outlay for labor, material and incidental charges classed as direct operating expense. It will be noted that prior to June 30, 1917, very little increase occurred in expenses, following which, however, its expenses to date have steadily grown.

Applicant shows that some curtailment in its revenues for the present year must be expected on account of resumption of normal conditions in the industries it supplies, and presents its case on the assumption of a normal year in so far as rainfall, water conditions, etc., are concerned, and shows further the necessity for meeting its increased operating

expenses. As has been pointed out above, applicant operates no steam generating plants so that its increase in expense is due entirely to higher wages and higher costs of materials.

Comparing the items of revenue and operating expense shown above, it is evident that applicant's income has increased at a rate faster than have its expenses, so that the net income available for depreciation, reserves and return has been steadily climbing.

The following table sets forth the revenue, expense and net income of applicant's electric department for the years ending December 31, 1916, 1917 and 1918. This table is compiled from applicant's annual reports to the Railroad Commission and from the figures submitted in evidence.

TABLE II.
Northern California Power Company, Consolidated.
ELECTRIC DEPARTMENT.
Net Income.

	Gross revenue	Maintenance and operating expenses and taxes	Net for depreciation, reserve and return
1916 -----	\$768,788 00	\$283,108 00	\$485,680 00
1917 -----	882,102 00	303,887 00	578,215 00
1918 (partially estimated)-----	1,045,814 00	300,237 00	685,577 00

In spite of the increase in expenses, applicant's net income has increased as shown above at the rate of \$100,000.00 per year, and its net for the year ending December 31, 1918, is the largest that it has ever had.

This is not the entire story, however, for its capital expenditures during the same period have substantially increased and the growth of load which resulted in increased earnings has likewise called into operation portions of the property which have heretofore been considered nonoperative in so far as affects the rate base.

Since September 30, 1915, applicant has expended for new electric construction to supply its increase in loads the following amounts:

TABLE III.
Northern California Power Company, Consolidated.
ELECTRIC DEPARTMENT.
Net Additions to Electric Capital.

From September 30, 1915, to June 30, 1916-----	\$185,132 00
For year ending June 30, 1917-----	159,674 00
For year ending June 30, 1918-----	339,499 00
From June 30, 1918, to November 30, 1918-----	116,990 00
Or a total for the period of -----	<u>\$801,295 00</u>

In addition to these amounts, property previously considered non-operative and valued in Decision No. 3624, *supra*, at \$1,336,773.00, is now fully used in the service of its consumers and has so been used since 1918. Thus applicant is now devoting to the use of consumers property valued at \$2,138,068.00 greater than during the year 1915.

Based upon the findings of value of applicant's electric properties in Decision No. 3624 and the actual additions and betterments to date, the following table shows the average electric capital for three years past, together with an estimate of capital for the year 1919. The items include all operative physical properties, and reasonable allowances for materials and supplies and working cash capital. In this table one-half of the capital considered as nonoperative in this commission's Decision No. 3624, *supra*, has been considered to become operative in 1917 and the entire amount in 1918.

TABLE IV.**Northern California Power Company, Consolidated.***Average Electric Capital.*

1916 -----	\$5,988,071 00
1917 -----	6,826,132 00
1918 -----	7,844,017 00
1919 (estimate) -----	8,116,007 00

The following table shows revenue, expense, net return and the ratio of such to the average capital for years 1916, 1917 and 1918:

TABLE V.**Northern California Power Company, Consolidated.****ELECTRIC DEPARTMENT.***Revenue Expense and Return on Capital.*

	1916	1917	1918 (partially estimated)
Gross revenue -----	\$768,788 00	\$82,102 00	\$1,051,428 00
Maintenance -----	\$95,827 00	\$100,479 00	\$101,401 00
Operating expense -----	149,771 00	160,656 00	198,621 00
Taxes -----	37,507 00	42,752 00	60,216 00
Depreciation -----	81,000 00	92,000 00	106,000 00
Total operating expense -----	\$364,108 00	\$395,887 00	\$466,237 00
Net return -----	\$404,680 00	\$426,215 00	\$585,191 00
Capital (Table IV) -----	\$5,988,071 00	\$6,826,132 00	\$7,844,017 00
Percentage for return -----	6.76%	7.12%	7.47%

Applicant submits an estimate of its electric revenues for the year 1919 from existing rates in the amount of \$962,519.00, which is substantially less than that of the year 1918. Applicant's figures show a reduction in sales for residence, commercial and municipal lighting, for irrigation pumping, for mining and for power delivered to Pacific Gas and Electric Company at Chico. A careful analysis of the figures submitted convinces me that applicant's electric revenue for the year 1919 will be the sum of \$985,600.00, which figure is adopted as the probable revenue that will accrue to applicant for the year 1919 under existing rates.

Pacific Gas and Electric Company's contract for Chico delivery of electricity is a somewhat elastic arrangement, permitting applicant to dispose of excess power so that when the normal demands on its system drop off, deliveries may be increased to Pacific Gas and Electric Company, although the revenue then obtained is less than if such power were sold to regular consumers. Since 1916 the growth of applicant's business has imposed sufficient demand upon its resources to absorb a large portion of the energy heretofore transferred to Pacific Gas and Electric Company. The fact that the rate at which this is sold is higher than the rate to the Pacific Gas and Electric Company results in a constantly growing revenue without a proportionate increase in the quantity of energy sold.

In analyzing applicant's operating expenses it is interesting to note that they are not substantially modified by changes in the quantity of energy sold and therefore by the amount of revenue resulting therefrom. In fact under normal conditions there would be little, if any, changes in applicant's expenses from year to year, except as to the necessity for more extensive maintenance of its properties. Tax figures, however, being based largely upon revenue, would be subject to whatever fluctuations occur.

Applicant's maintenance expenses for the past four or five years have averaged from \$95,000.00 to \$100,000.00 per annum. In spite of the increased cost of labor and material, applicant shows no increase in this item for the year 1919. If but normal maintenance is to be continued, there will be at least some increase due to higher prices. In any event expansion of facilities will require increasing maintenance to keep up the standard of service and applicant's estimate of maintenance is low. The continuation of good service will necessitate the expenditure of \$110,000.00 per annum for this purpose, which figure is included as a reasonable operating expense.

Applicant's business, aside from a small lighting and power use, is subject to wide seasonal and annual fluctuations. It would not be fair,

therefore, to applicant's regular consumers, who constitute its permanent business, to require them to pay in the form of increased rates for the loss (perhaps only temporary) of business of larger consumers. This matter should be viewed from the standpoint of an average of the conditions existing in the years 1917 and 1918 and what reasonably may be anticipated for 1919. The utility must expect to bear some portion of the burden of lean years as it has enjoyed the returns of the good years. The year 1917 yielded a fair average return. The year 1918 was to the utility's advantage. The year 1919 shows some loss in revenue. If we take an average of these three years we are using a figure which will eliminate the fluctuations which are the disturbing elements herein, and which will produce an equitable result.

Therefore the figure of \$973,043.00 will be used for gross revenue, which is the average of the figures previously set forth for the years 1917, 1918 and 1919 (estimated), and the item of \$7,595,385.00 for electric department capital which is a similar average for the three years. Under the conditions which prevailed prior to December 31, 1918, which includes conditions for 1917 and 1918, applicant's expense and net available for depreciation, reserve and return would on this basis be as follows:

Revenue -----		\$973,043 00
Maintenance -----	\$100,000 00	
Operation -----	180,000 00	
Taxes -----	59,990 00	
Depreciation -----	102,000 00	
Total expense -----		441,990 00
Net income -----		\$531,453 00

Which is 7 per cent upon \$7,595,385.00, the average capital for the three years. This can not in any sense be considered excessive and is apparently all that applicant can earn on the average of its three past years business under the most favorable conditions.

Under the conditions which applicant shows will prevail during the year 1919, its expenses for maintenance and operation will be increased. I believe the reasonable expense for maintenance of applicant's properties will be \$110,000.00 per annum, while for operation \$260,000.00 will be necessary to meet the expenses under present conditions. The total reasonable expense of maintenance, operation, taxes and depreciation under present higher cost conditions would be \$531,990.00 and the net income available for return would be \$441,053.00. This corresponds to 5.81 per cent on the average three-year capital and applicant's net income on this basis would be reduced by the sum of \$90,000.00 per annum. I regard it as proper at this time to restore the rate of return which would have obtained under former conditions, thereby offsetting

the increase in direct operating expense. On account of the increased expense incidental to electric service on applicant's system, its rates and charges for electricity should be increased by 10 per cent of the basic rates and charges now in effect.

The present rates and charges for electricity were established after an extended investigation, September, 1916, at which time thorough consideration was given to the equitable distribution of costs as between various classes of service. Since this is reflected in the rate schedules in effect, and since the increased costs of operation that have subsequently arisen are found to be due almost entirely to labor and materials which uniformly affect all classes of service, it is not necessary to fix different surcharges for different classes of service but rather to fix a uniform surcharge of 10 per cent upon all existing rate schedules.

With an increase in revenue of 10 per cent and making due allowance for the increase in taxes which will follow, applicant will earn on the basis of the average three-year revenue above, a net of \$532,508.00 available for return, which is 7.02 per cent of average capital for three years used above. If the proposed surcharge be applied to the probable revenue for the year 1919, applicant's net return will amount to \$537,947.00, which corresponds to a return of 6.63 per cent upon the estimated capital of \$8,116,007.00 for the year 1919. It must be noted that this return is figured on reduced revenue as compared with increased capital.

No consideration has been given herein to either the capital investment or the revenue incidental to the transfer of power by applicant over its system from California-Oregon Power Company to Pacific Gas and Electric Company in accordance with the terms of the triparty contract dated June 11, 1918, which is now in operation. This contract will be a substantial source of income to the Northern California Power Company, Consolidated, and will assist it in meeting its obligations, not only those incurred in the performance of this contract, but also those otherwise attaching to its regular affairs. Under this contract Northern California Power Company, Consolidated, will also sell some of its surplus power at Colusa to Pacific Gas and Electric Company in excess of the present contractual obligations for delivery at Chico. This item is extremely variable, dependent as it is on load conditions on both systems. The rates named in this triparty contract having but recently been passed upon by this commission, are not to be subject to the surcharge hereinafter authorized.

Applicant's consumers have in the past enjoyed very reasonable rates for nearly all classes of service. The proposed increase of 10 per cent is less than one-half of that asked for by applicant and the uniform additional charge of 10 per cent set forth in the order herein is to be

compared with applicant's requested increases which vary from 14 per cent to 35 per cent, according to the class of service.

By Decision No. 5641, Application No. 3970, dated July 30, 1918 (Volume XV, Opinions and Orders Railroad Commission of the State of California, page 1027), applicant herein was authorized to charge and collect for energy sold in that portion of Butte County and in those certain parts of Colusa County where it is in direct competition with Pacific Gas and Electric Company, certain surcharges sufficient to equalize applicant's rates therein with the rates charged by Pacific Gas and Electric Company as increased in accordance with this commission's order in Decision No. 5519 (Volume XV, Opinions and Orders Railroad Commission of the State of California, page 886). Since the rates in such competitive territory have already been sufficiently increased, the surcharge of 10 per cent authorized herein will not apply in such competitive territory.

Herewith a form of order:

ORDER.

Northern California Power Company, Consolidated, having applied to the Railroad Commission of the state of California for authority to increase its rates and charges for electricity, hearings having been held, the matter being submitted and now ready for decision,

The Railroad Commission of the state of California hereby finds as a fact that the rates and charges for electricity as fixed by the schedules of rates and contracts now on file with the Railroad Commission, excepting such rates and charges as apply in territory served in competition with Pacific Gas and Electric Company, are under existing conditions not just or reasonable rates, and that the existing rates and charges for electricity when modified by the addition of the surcharge herein authorized are just and reasonable rates.

Basing its order on the foregoing findings of fact and on the findings of fact contained in the opinion which precedes this order,

It is hereby ordered that Northern California Power Company, Consolidated, be and is hereby authorized to charge and collect for electricity in addition to the rates and charges set forth in its schedules of rates and contracts now on file with the Railroad Commission, a surcharge of 10 per cent on all bills rendered, which surcharge shall apply on all regular meter readings taken on and after the first day of May, 1919, and for flat rate service beginning the first day of May, 1919; provided, that the authority herein granted shall not extend to the rates now charged in those portions of the territory supplied by Northern California Power Company, Consolidated, in competition with Pacific Gas and Electric Company, as set forth in Decision No. 5641, *supra*,

or to the rates named in the triparty contract June 11, 1918, hereinbefore referred to; further provided, that Northern California Power Company, Consolidated, shall, within ten days of the date of this order, file with the Railroad Commission of the state of California an amendment to its rate schedules on file that shall set forth the surcharge herein authorized.

It is further ordered that Northern California Power Company, Consolidated, shall file with the Railroad Commission of the state of California, on or before the twentieth day of each calendar month, a statement of its electric revenues, expense and capital expenditures for the preceding month, and such other information as the Railroad Commission shall hereafter designate.

It is further ordered that Northern California Power Company, Consolidated, shall show separately on all bills rendered its consumers for electricity, the surcharge herein authorized.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-fourth day of April, 1919.

DECISION No. 6286.

IN THE MATTER OF THE APPLICATION OF SWEETWATER WATER COMPANY FOR INCREASE OF RATES.

Application No. 3249.

Decided April 24, 1919.

WATER UTILITIES.—RATE INCREASES.—Though it is shown by a water utility that it is entitled to an increase in revenues, it is held that a minimum monthly rate for the smallest service connection of \$1.00 for 400 cubic feet of water is reasonable and a more desirable minimum than \$1.25 for 700 cubic feet, the larger connections, more costly to install and maintain, should pay a higher minimum. Revised schedule of rates for domestic and irrigation service established.

Hunsaker & Britt and Le Roy M. Edwards, for Applicant.

P. B. Andrews, for city of Chula Vista.

Ray M. Harris, for city of National City.

BY THE COMMISSION.

OPINION.

This is an application for an increase in rates. A complete new rate schedule is presented by applicant which, if adopted, would result in a change from the present rates, established by this commission by

Decision No. 2802, in the matter of the application of Sweetwater Water Company to increase rates. Application No. 312, principally in the amount to be charged users of water for irrigation.

The rates now in effect are a minimum charge monthly for each service during the time the consumer allows the same to remain turned on. The rates asked for are minimum charges varying by size of meter. Present rates and those asked for are as follows:

	Present rates	Rates asked for
First 400 cubic feet, or less	\$1 00	
First 700 cubic feet, or less		\$1 25
Next 1,600 cubic feet, per 100 cubic feet.....	15	
Next 1,300 cubic feet, per 100 cubic feet.....		15
Above 2,000 cubic feet, for irrigation, per 100 cubic feet.....	02	04
Above 2,000 cubic feet, for other purposes, per 100 cubic feet..	075	12

It was clearly the intention of the commission to provide increased returns by the earlier decision. The revenues of the applicant for the last six years are as follows:

Revenue.

	1912	1913	1914	1915	1916	1917
Flat rate		\$53,021	\$52,337	\$53,177	\$39,995	\$3,219
Meter rate	\$57,349	9,460	9,726	9,927	23,400	80,348
Municipal		1,907	2,604	2,582	2,321	2,440
Nonoperating and miscellaneous	4,479	2,283	1,456	646	140	680
Totals.....	\$61,828	\$66,671	\$66,123	\$66,332	\$65,856	\$86,687

The new rates went into effect in January, 1916, but as appears from the above statement did not result in the anticipated returns. It was believed that the use of water would necessarily remain at least that of the years 1913, 1914 and 1915, which were of record with the commission. Instead, the records now show that the use of water was much less in 1916. In 1917, there was a decided increase both in amount of water used and in returns, this being explained by applicant as being due principally to the recent establishment of a potash production plant at Chula Vista. This, however, accounts for approximately \$12,000.00 increased business only, and it appears that there is an additional increase in returns amounting to some \$8,000.00 over the business of 1915 and \$9 000 00 over that of 1916. Decision No. 2802 appar-

ently shows that the commission intended to provide for returns of \$75,000.00 from operation of the property in 1915. Since that year there has been a decided increase in cost of materials and labor and the applicant has been put to the expense of repairing damage caused by the flood of January, 1916. These matters should receive consideration at this time and should, in so far as they have caused an actual and necessary addition to the expense of the applicant, be provided for in an increased rate.

Applicant contended that it is entitled to have the following items considered as the basis for computing the annual charge to be produced by the rate schedule established.

Historical cost of property to July 1, 1917-----	\$1,673,626 00
Present value as of July 1, 1917-----	1,241,738 00
Annual depreciation by straight line-----	25,604 00
Maintenance and operation expense for ensuing year-----	45,472 00
Amortization of flood expenditure amounting to-----	78,870 00

However, applicant does not ask at this time that a rate schedule be established which will yield returns upon the above-mentioned sums, and sets out the rate schedule which it asks to have established. This rate schedule, it is contended, will produce an annual revenue of approximately \$110,000.00.

The commission's engineers made investigation and reported on comparable items as follows:

Estimated cost -----	\$1,520,724 00
Depreciation annuity on 5 per cent sinking fund basis-----	7,552 00
Maintenance and operation expenses-----	37,215 00
Amortization of flood expenditure amounting to-----	72,725 00

In the use of the items, the applicant, representatives of consumers and the commission's witnesses disagreed, the principal point of difference being in the cost of construction work at Sweetwater dam in repair of damage occasioned by the floods of 1916. It is unnecessary to a decision in this case to enter into a discussion of this item, as the income sought by applicant is insufficient to yield a return upon cost of the property.

Argument was made by protestants on the question of the period of amortization of the extraordinary expenses and also as to whether or not consumers should pay at all for a loss which was occasioned by an act of God. A determination of these issues in our opinion is unnecessary to a decision in this proceeding for the same reason as hereinabove given.

As a basis for the computation of a rate schedule, applicant presented the following statement of water use, in applicant's Exhibit No. 7,

and estimates that under the rates proposed this use would return \$110,290.00:

	Cubic feet
9,207 service months with a maximum use of 700 cubic feet per month, using a total of-----	2,513,907
3,922 service months with a maximum use of 2,000 cubic feet per month, using a total of-----	4,723,337
5,324 service months (irrigation) with a minimum use of 2,000 cubic feet per month:	
Total use from 0 to 700 cubic feet-----	3,726,800
Total use from 700 to 2,000 cubic feet-----	6,921,200
Total use above 2,000 cubic feet-----	119,573,270
120 service months (manufacturing) with a minimum use of 2,000 cubic feet per month:	
Total use from 0 to 700 cubic feet-----	84,000
Total use from 700 to 2,000 cubic feet-----	156,000
Total use above 2,000 cubic feet-----	16,816,089
18,573 service months—total metered use-----	154,514,603
Flat rate revenue, \$3,695.50.	
Miscellaneous earnings, \$466.75.	

The applicant insists that no greater use may be anticipated than is shown by the above statement, although evidence produced at the hearing indicates that there was an increase in consumption during the last months of 1917 and the first of 1918. This may or may not be due, as the applicant contends, to the unstable patronage of the potash plant and residents brought into the territory as its employees.

Representatives of consumers insisted that the rates asked by the applicant are prohibitive and that the application of such rates will result in the abandonment of orchards and gardens and in a reduction of returns instead of an increase. Much testimony was presented at the hearing in support of this contention, but is so indefinite in character that it can not be considered conclusive.

It seems proper to make some reference to water rates established by this commission, or determined in some other manner, as proper charges for water supplied for irrigation purposes in communities whose circumstances are somewhat similar. The irrigation rate established by this commission for Lake Hemet Water Company is the equivalent of 1.2 cents per 100 cubic feet, but the provision of a minimum annual charge per miner's inch continuous flow may operate to make this 1.5 cents per 100 cubic feet for comparison with the Sweetwater rate.

San Gabriel Valley Water Company has a rate of 50 cents per 1,000 cubic feet for irrigation use with no minimum charge. The Van Nuys Water System near Los Angeles has a rate of 4 cents per 100 cubic feet.

In these last two it should be noted that the localities are suburban to Los Angeles and the use is on very small places, under an intensive state of cultivation, which is not practicable under the Sweetwater system.

The Cuyamaca Water Company has a rate schedule similar to that in effect and requested by the Sweetwater Water Company, the rate for

irrigation use above 2,000 cubic feet monthly being 2.5 cents per 100 cubic feet. This is an increase over the former rate, yet it is of record that water use has decreased and the returns for irrigation are nearly constant.

This is not a proceeding in which the property value or expenditure by the applicant, other than for maintenance and operation and for current extraordinary expenditures, are items that it is essential to provide sufficient revenue to cover. As regards the rate to be charged for water for irrigation use, it should be established by measure of the payment that probably will not result in reduction of water use, but will probably encourage an increase both in use of water and in revenue. We believe the rate for strictly irrigation use should be increased from the present charge of 2 cents per 100 cubic feet to 3 cents.

The applicant asks that the minimum charge be changed and that the minimum for smallest service facilities be made \$1.25 for 700 cubic feet, instead of \$1.00 for 400 cubic feet. Protest was made against this change, and as it does not appear that the applicant would gain greatly thereby, we believe that the minimum of \$1.00 should remain in effect. The higher charges requested for larger service and meters are justified by the additional expense involved, and the rate schedule that is established herein provides graded minimum charges.

During the hearings, applicant was requested by the commission to furnish tabulations showing the use of water during the calendar year 1917 and filed its Exhibit No. 11. It is believed that the use of this calendar year is a more accurate measure of the use that may be anticipated in the near future than that of the fiscal year 1916-1917.

The annual charges that may reasonably be anticipated at this time and that should properly be covered by rates are as follows:

Maintenance and operation.....	\$40,000 00
Normal depreciation by 5 per cent sinking fund.....	7,550 00
Amortization of flood expenses.....	6,800 00
Total not including interest.....	54,350 00

We will authorize the following schedule of rates:

<i>Minimum Monthly Charges per Meter.</i>	
½-inch	\$1 00
1-inch	1 50
1½-inch	2 50
2-inch	4 00
3-inch	7 00
4-inch	12 00
	Per 100
For water used between 0 and 400 cubic feet.....	cubic feet
Between 400 and 2,000 cubic feet.....	\$0 25
For irrigation use above 2,000 cubic feet.....	0 15
For use above 2,000 cubic feet when used for other than irrigation	0 03
purposes	0 12

Flat rates to continue in effect only when it is impracticable to measure the water and to remain as at present established.

The estimated revenue that will result from the application of the foregoing schedule of rates to the water use of the calendar year 1917 is shown below:

	Service months	Rate	Water use, cubic feet	Resulting revenue
Minima and use to 400 cu. ft.....	17,665	\$1 00 minimum ----	\$52,027	\$17,664
Use from 400 to 2,000 cu. ft.....		15 per 100 cu. ft..	125,406	18,811
Use above 2,000 cu. ft., general.....		12 per 100 cu. ft..	195,686	23,483
Use above 2,000 cu. ft., irrigation		03 per 100 cu. ft..	1,569,598	47,088
Flat rates				1,864
Miscellaneous				617
Totals.....			\$1,942,717	\$109,527
Deducting proper annual charges as hereinbefore computed.....				54,350
Results in net returns, of.....				\$55,177
This is 6 per cent on \$919,616.00, 7 per cent on \$788,243.00, or 8 per cent on \$689,712.00.				

The higher minimum charges for meters larger than $\frac{3}{4}$ -inch will result in some increase in revenue and there is evidence in the record that consumption of water was increased during the early months of 1918 over the corresponding months of 1917.

Analysis of the evidence discloses that a rate schedule of the form herein established should promote the use of larger quantities of water by the consumers of this company, and we are of the opinion that it will operate more satisfactorily both from the company's and consumer's standpoint.

ORDER.

Sweetwater Water Company having made application for authority to increase rates, public hearings having been held, and being fully advised in the premises, it is hereby found as a fact, that the existing rates of the applicant are unjust and unreasonable in so far as they differ from the rates set forth in the following order and that the rates herein established are just and reasonable.

Basing its order upon the foregoing finding of fact and upon the further findings contained in the opinion preceding this order,

It is hereby ordered that the Sweetwater Water Company be and the same is hereby authorized and directed to file with this commission, within twenty days from the date of this order, and thereafter to charge the following rates for water served to consumers:

<i>Minimum Monthly Charge per Meter.</i>		
$\frac{3}{4}$ -inch		\$1 00
1-inch		1 50
1 $\frac{1}{2}$ -inch		2 50
2-inch		4 00
3-inch		7 00
4-inch		12 00

	Per 100 cubic feet
For water used between 0 and 400 cubic feet.....	\$0 25
Between 400 and 2,000 cubic feet.....	0 15
Above 2,000 cubic feet for irrigation purposes.....	0 03
Above 2,000 cubic feet for other than irrigation purposes.....	0 12

Dated at San Francisco, California, this twenty-fourth day of April, 1919.

DECISION No. 6287.
WILLIAM HARTIGAN

vs.

PACIFIC GAS AND ELECTRIC COMPANY, A PUBLIC UTILITY
CORPORATION.

Case No. 1282.

Decided April 25, 1919.

GAS AND ELECTRIC UTILITIES—DISCONTINUANCE OF SERVICE.—Reconnection of service by a utility upon request of the Railroad Commission to enable it to test meters and connections after such service had been disconnected for nonpayment of bills can not be construed as a resumption of service by the utility which would revive the consumers' right to the full period of time prescribed by rules for notice of discontinuance.

BILLS, ERRORS IN—GAS AND ELECTRIC UTILITIES.—A receipted bill tendered by a utility covering service for a prescribed period of time should not be held as conclusive that the amount covered by such receipt is the total due for such service. If the rendition of a receipt should be considered as closing a transaction to further inquiry or adjustment a regulatory body would be entirely barred from conducting investigations as to whether or not there had been preferential rates or discriminations prohibited by law.

BILLS, NONPAYMENT OF—DISCONTINUANCE OF SERVICE.—When a consumer disputes the amount of a bill rendered by a public utility and fails to deposit the amount with the commission until the matter is investigated and the correct amount determined in accordance with Rule 6, Decision 2879, the utility is justified in discontinuing service. Complaint dismissed.

Geo. D. Collins, for Complainant.

R. W. Duval, C. P. Cullen and Leo H. Susman, for Defendant.

DEVLIN, Commissioner.

OPINION.

This case is the outcome of a controversy which has existed between complainant and defendant for many months past. The matter was first referred to the commission informally, and the gas and electric division made its investigations and recommendations, the results of which, however, proved unsatisfactory to the complainant.

Complainant, on November 29, 1918, filed his formal complaint herein, and the answer of defendant was filed December 30, 1918. The matter

was set down for hearing for February 10, 1919, and an adjourned hearing was held thereon on February 13, 1919. Briefs were thereafter filed by both complainant and defendant, complainant's reply brief having been filed February 25, 1919.

The complaint alleges in substance that on October 5, 1917, Pacific Gas and Electric Company, a public utility corporation doing business in the city and county of San Francisco, agreed to furnish complainant, a resident of San Francisco, with gas and electricity at his residence at 880a Haight street at the regular rates for such service, and that it did supply complainant with gas and electricity, pursuant to said agreement, from October 6, 1917, to April 26, 1918; that complainant did before April 26, 1918, tender defendant in payment of gas and electricity furnished him in the months of January, February, March and April, 1918, the sum of \$11.25, and the defendant refused and still refuses to accept tender, and there now is unpaid for such service for bills rendered during the months of January, February, March and April, 1918, the sum of \$11.25, which amount defendant has refused to accept as payment for such service. Complainant alleges that he has at all times complied with the rules and regulations of defendant and with the rules and regulations of the Railroad Commission. Complainant further alleges that on April 26, 1918, his supply of gas and electricity was wilfully discontinued by defendant without complainant's consent and against his protest, at which time further service was refused, though frequent demand was made therefor, and as a result complainant is and was by act of defendant deprived of the use of gas and electricity at his residence; that ever since April 18, 1918, there has existed a dispute between complainant and defendant relative to the charges for metered gas and electricity supplied during the months of January, February, March and April, 1918, said dispute being based upon the claim of defendant that the sum of \$18.35 is due defendant from complainant for gas and electricity previously served at said premises during the above-named period, and complainant claiming that only \$11.25 is due for such service. That defendant served a notice on complainant on April 18, 1918, demanding payment of \$5.80 for electric service and \$12.55 for gas service, and advising that if this amount was not paid or deposited with the Railroad Commission by Saturday noon, April 20, 1918, service would be discontinued; that said notice further advised that if and when said sum was deposited with the Railroad Commission defendant would await such further investigation as the commission should care to make; that thereafter, on April 26, 1918, service was discontinued; that defendant refused to reconnect service for gas and electricity unless complainant pays \$22.35, an assignment of which latter amount was made by defendant to one L. N. Sachs for collecting, and upon which said assigned claim the said

Sachs sued for the recovery of said sum of \$22.35 in the Justice's Court of the city and county of San Francisco, which suit is now pending; that the discontinuance of said service by defendant on April 26, 1918, was in violation of Rule 6 of the Railroad Commission of the state of California, as set forth in Decision No. 2879, which decision prescribes rules and regulations for public utilities, in that complainant's gas and electricity were cut off within eight days after the demand of April 18, 1918.

Complainant prays the Railroad Commission for its order requiring defendant to forthwith furnish complainant at and to his residence at said 880a Haight street with sufficient gas and electricity for heating and lighting purposes therein and at the rates legally in force in said city and county, and that it be adjudged and determined by this commission that complainant is not indebted to defendant for gas and electricity supplied by defendant to complainant in the months of January, February, March and April, 1918, in any sum exceeding \$11.25, and adjudging that the demand of defendant is excessive, exorbitant and extortionate, and for such other, further or different relief as may be appropriate to the case and in conformity with law.

At the hearing complainant admitted that he was then and since the tenth day of December, 1918, had been served with both gas and electricity by defendant.

The substance of defendant's answer is as follows:

Defendant admits that part of complainant's complaint alleging the agreement to furnish gas and electricity at the place and in the manner alleged by complainant, and alleges that in performance of said agreement it did furnish and supply to complainant from the sixth day of October, 1917, to the twenty-second day of April, 1918, sufficient metered gas and electricity for lighting and heating purposes at said residence of complainant. Defendant denies that complainant paid to defendant or that defendant did accept or receive from complainant the rates which were then legally in force in said city and county of San Francisco for so much of said gas and electricity as was supplied to complainant by defendant during the months ending November 1, 1917, December 1, 1917, and January 1, 1918; defendant further alleges "that it has refused and still refuses to receive or accept and there is now unpaid said defendant for gas and electricity so furnished plaintiff, as aforesaid, the rates legally in force in said city and county of San Francisco for said gas and electricity furnished and supplied plaintiff by defendant during each of the months of January, 1918, February, 1918, March, 1918, and April, 1918."

Counsel for defendant at the hearing declared that the allegation in defendant's answer, just quoted, was a typographical error and it was not intended and was not the fact that defendant has refused and still

refuses to receive or accept the rates legally in force as in said quoted paragraph set forth. From other allegations and denials in defendant's answer, it is very apparent that such allegation was and is a typographical error.

Defendant, by its answer, admits that it refused to accept \$11.25 in payment of service for January to April, 1918, inclusive, but denies that complainant tendered payment prior to April 26, 1918; denies that complainant paid for service rendered during October, November and December, 1917, and further denies that complainant is not indebted to it in a sum exceeding \$11.25 for gas and electricity supplied during the months of January, February, March and April, 1918. Defendant denies that it wilfully discontinued service on April 26, 1918, but, on the contrary, alleges that when complainant deposited with the Railroad Commission on December 10, 1918, the sum of \$18.30 for gas and electricity supplied from October 1, 1917, to March 1, 1918, that defendant on December 10, 1918, reconnected and re-established gas and electric service to complainant, and ever since said tenth day of December, 1918, said complainant has been supplied with gas and electricity. Defendant admits the assignment of its said alleged demand for said sum of \$22.35 to said Sachs, and the beginning of suit thereupon in said Justice's Court, as in the complaint alleged. Defendant admits the dispute regarding said bills, but alleges that on March 22, 1918, it served notice on complainant that unless bills were paid to defendant or deposited with the Railroad Commission on or before April 6, 1918, that service would be discontinued on April 8, 1918, which demand complainant failed to comply with, and that on April 8, 1918, said service was discontinued; immediately thereafter service was resumed at the request of the Railroad Commission for the purpose of making an investigation of the supply of gas and electricity at complainant's premises, and to permit of the testing of instrumentalities of defendant installed on the premises of complainant; that upon the completion of said investigation and test and the continued failure and refusal of complainant to comply with the request and demand contained in its said letter of March 22, 1918, defendant discontinued gas and electric service to said complainant at said premises on April 22, 1918.

Many witnesses were called by both complainant and defendant, and twenty-two exhibits were introduced at the hearing covering various phases of the controversy.

The evidence introduced shows the following facts:

The premises known as 880 Haight street, in the city and county of San Francisco, consists of a middle flat, which flat, for the convenience of the owner, is divided into a front and rear apartment, being designated by the owner "880a" and "880b," but having no designating marks to identify same. The owner testified that on some occasions for

a brief period there had been cards attached to the doors of the respective apartments appropriately designating them by number and letter. The complainant rented the rear apartment, known as "880b," on or about October 1, 1917. The receipt given him for his rent, however, designated his apartment as "880a" Haight street. The designation of complainant's apartment in his receipt was unquestionably through inadvertence, and unquestionably is the cause of much, if not all, of the controversy which has resulted in these proceedings.

Prior to the occupancy of said premises by complainant, the owner of the premises had furnished to defendant for its convenience the designating letters "a" and "b" of said apartments, being for the front and rear apartment, respectively, the gas and electricity served to each apartment being measured separately by the defendant.

When complainant took possession of the said apartment on October 5, 1917, he discovered that electric service was turned on but the gas service had not been connected. Upon notification to the defendant, however, gas service was immediately established. Complainant's step-daughter had made application at defendant's office for both gas and electric service on or about October 1, 1917, and having in her possession the rent receipt for the premises 880a Haight street, gave such number and designation to defendant, with the result that defendant placed complainant's account on defendant's books under the address "880a"; whereas, in fact, complainant was occupying "880b."

Thereafter defendant rendered complainant bills for gas and electricity for the months of October, November and December, 1917, which bills, as a result of the transposition of accounts, as hereinabove explained, were based upon the consumption of the meter serving the front instead of the rear apartment which complainant occupied. Complainant paid such incorrect bills, and in January, 1918, the error was discovered through investigation of defendant occasioned by complaint of the tenant of the front apartment of 880 Haight street of excessive bills, and defendant thereupon rendered corrected bills to complainant for the months of October, November and December, 1917, which corrected bills were based upon the reading of the meters actually supplying the rear apartment, No. 880b Haight street, which complainant occupied. Complainant took exception to the corrected accounts rendered, and the defendant, after an examination and investigation, informed complainant that the bills were correct and that it would be necessary for him to pay the corrected accounts or have his service discontinued, and subsequently, after repeated attempts to adjust the matter, the service of both gas and electricity was discontinued after due notice given the complainant by defendant.

The meters actually used in supplying the premises occupied by the complainant were known on the company's records as gas meter

No. 125505 and No. 182597 (after December 11, 1917) and electric meter No. 75673, and that the bills based upon the actual registration of such meters for gas and electricity actually supplied to complainant from October to December, 1917, inclusive, were as follows:

	Gas	Electricity
October, 1917	\$1 85	\$0 65
November, 1917	3 40	1 40
December, 1917	3 55	1 80
Totals	\$8 80	\$3 85

There is nothing in the record to justify the contention that complainant did not actually use the amount registered on said meters which resulted in the bills set forth above. Complainant protested that the amounts charged were excessive, whereupon defendant tested both gas and electric meters and found same to be accurate and likewise tested the service to determine any hidden connections or short circuits or other difficulties that would have permitted either gas or electricity to pass through the respective meters other than that supplied to complainant, and found no such condition.

A new gas meter, No. 182597, was installed on December 11, 1917, in place of meter No. 125505, which was removed.

Complainant offered in evidence receipted bills for gas and electricity of the former occupant of his apartment in support of his contention that the amount of his bills was excessive. Such evidence is of necessity most unsatisfactory, as obviously there are so many varying conditions that one tenant's consumption of gas or electricity in an apartment might prove a very poor criterion of what another tenant's might be.

On December 10, 1918, complainant deposited with the Railroad Commission the sum of \$18.30, which amount was claimed by defendant to be due from complainant for gas and electric service rendered up to March 1, 1918. Immediately after such deposit was made, service was reconnected to complainant's apartment, and it was admitted at the hearing that he was then receiving service.

The discontinuance of complainant's gas and electric service was made pursuant to a notice given by defendant as prescribed by the Railroad Commission; that there was a reconnection of service, but such reconnection was not for the benefit of complainant or to him as a consumer, but was made solely upon the request of the gas and electric division of the Railroad Commission for the purpose of enabling said engineers to observe a test meter, and which said test required actual service conditions; this purpose of resumption of service was made clear

by the company in response to the request of the commission's gas and electric division.

After the test by the engineers of the commission, the company did again, on April 18, 1918, serve another notice upon complainant for payment, and after his failure to pay defendant again discontinued service on the twenty-second day of April, 1918. It would be improper to construe the resumption of service made upon request of the commission's engineers into a resumption of service to the complainant so as to revive his right to the full period of time prescribed by the commission's rules for notice.

The evidence shows that the amount due defendant from complainant for gas and electricity for the months of January, February and March and from April 1 to April 22, 1918, is as follows:

Period	Gas		Electric	
	Consumption, cubic feet	Bill	Kilowatt hours	Bill
December 31-January 31.....	4,000	\$3 40	25	\$1 75
January 31-March 1.....	3,400	2 90	23	1 60
March 1-April 1.....	2,900	2 45	11	75
April 1-April 22.....	900	75	6	60
		<u>\$9 50</u>		<u>\$4 70</u>

The total amount of gas and electricity supplied complainant at his said premises from October 6, 1917, to April 22, 1918, is as follows:

GAS.

Total amount of gas consumed through meter actually measuring gas served the Hartigan apartment, October 6, 1917, to April 22, 1918, 21,600 cubic feet.

Bill for gas at filed rates..... \$18 30

Amount paid by complainant 2 35

Amount still due and unpaid..... \$15 95

ELECTRIC.

Total amount of electricity used from October 6, 1917, to April 22, 1918, 129 kilowatt hours.

Bill for same under filed schedules..... \$8 55

Amount paid by complainant..... 2 15

Amount still due and unpaid..... 6 40

Total amount due defendant by complainant for gas and electricity,
October 6, 1917, to April 22, 1918, and not paid..... \$22 35

The amount of \$18.30 demanded by defendant under date of March 22, 1918, consists of the following items:

Gas bills for service to March 1, 1918, unpaid..... \$13 25

Electric bills for service to March 1, 1918, unpaid..... 5 05

\$18 30

The evidence shows that the bills for gas supplied through the meters serving complainant's apartment to and including March 1, 1918, unpaid on March 22, 1918, amounted to \$12.75 instead of \$13.25, making the amount due and unpaid on March 22, 1918, \$17.80.

During the month of March, the gas meter serving complainant's apartment registered a total consumption of 2,900 cubic feet, and the electric meter registered 11 kilowatt hours. The bills for this service for the month of March, at the regular schedules, were \$2.45 for gas and 75 cents for electricity. From the first to the twenty-second of April, complainant's consumption of gas and electricity resulted in bills of 75 cents and 60 cents, respectively. The total unpaid amount for gas and electric service rendered to April 22, 1918, remaining unpaid at the present time and due from complainant is, therefore, as follows:

	Gas	Electric	Total
Bills for service to March 1, 1918.....	\$12 75	\$5 05	\$17 80
Bills for service—March 1 to April 1, 1918.....	2 45	75	3 20
Bills for service—April 1 to April 22, 1918.....	75	60	1 35
Total amount due.....			\$22 35

Complainant urges, however, that the receipts given him by defendant for the service constitute a satisfaction of the claim for those months, and that a receipt in writing is conclusive unless fraud or mistake is present. That there was a mistake is to me perfectly clear, as hereinabove set forth. In my opinion, however, this commission is not limited in its determination of questions similar to this to the strict rule urged by complainant, as set forth in the Civil Code. Public utilities could, in the absence of the power of regulatory bodies, easily circumvent the control contemplated by regulatory bodies through the delivery of a receipt and forever close the door to an inquiry as to whether or not there has been preferential rates or discriminations forbidden by law.

It further appears from the evidence that complainant did not comply with the request of defendant as made on March 22, 1918, to deposit the amount in dispute with the commission, and that defendant discontinued service on April 22, 1918, in accordance with Rule 6 of the Railroad Commission as set forth in Decision No. 2879.

I deem it unnecessary to review in detail all of the evidence which was introduced, there being a great deal of time devoted to cross-examination concerning consumption by former tenants of complainant's apartment, bills for service that was claimed to be similar, details

concerning the methods by which the meters were tested, the accounts transposed, as hereinbefore set forth, and touching other unimportant facts.

Summarized, however, I am of the opinion that the cause of the trouble was the erroneous designation of complainant's apartment, as set forth on his receipt, and it may well be that complainant, by reason of the small amount charged to him for gas and electricity during the first months, was more extravagant in the use thereof than he would be had his bills been computed upon his actual consumption. It reduces itself, in my opinion, merely to a situation where complainant was being actually served through one meter for each service and being charged through others which were not attached to his premises.

I recommend the following form of order:

ORDER.

William Hartigan having filed his complaint against Pacific Gas and Electric Company, and a hearing having been held thereon, the matter being submitted and now ready for decision,

The Railroad Commission hereby finds as a fact that the amount due Pacific Gas and Electric Company from complainant for electric and gas service delivered to complainant's apartment at 880 Haight street, in the city and county of San Francisco, during the months of January, February, March and April, 1918, is the sum of \$14.20.

The commission hereby further finds as a fact that the amount due Pacific Gas and Electric Company from complainant for gas and electric service delivered to complainant's said apartment from October 5, 1917, to April 22, 1918, is the sum of \$22.35.

The commission hereby further finds as a fact that the action of Pacific Gas and Electric Company in discontinuing the gas and electric service to complainant on April 22, 1918, was in accord with the rules and regulations of the Railroad Commission of the state of California established in its Decision No. 2879.

Basing its order upon the foregoing findings of fact and upon the further findings of fact set forth in the opinion preceding this order,

It is hereby ordered that the complaint herein be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-fifth day of April, 1919.

DECISION No. 6288.

IN THE MATTER OF THE APPLICATION OF THE VACAVILLE WATER AND LIGHT COMPANY REQUESTING THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA TO FIX A REASONABLE RATE FOR WHICH WATER MAY BE SOLD IN THEIR TERRITORY, EMBRACING THE TOWN OF VACAVILLE AND VICINITY.

Application No. 3961.

Decided April 25, 1919.

W. Z. McBride, for Applicant.

T. E. Reynolds, for town of Vacaville.

BY THE COMMISSION.

OPINION.

This application alleges in effect that owing to increased operating expenses additional revenues are required, and this commission is therefore asked to establish a reasonable rate at which water may be sold.

A public hearing was held in Vacaville.

The present rates charged by applicant are as follows:

Flat Rates.

Residences—small families	\$1 00	per month
Residences—large families	1 50	per month
Stores	\$1 00 and	1 50 per month
Livery stables	5 00	per month
Pool rooms where drinks are served	1 50	per month
Wash houses	\$2 00 to	3 00 per month
Water for toilets only		50 per month
City of Vacaville for fire service	75 00	per month

Metered Rates.

	Per 100 cubic feet	Per 1,000 gallons
First 6,000 cubic feet or 8,000 gallons	\$0 1875	\$0 25
Next 9,000 cubic feet or 12,000 gallons	0 1500	0 20
Next 15,000 cubic feet or 20,000 gallons	0 1125	0 15
Over 30,000 cubic feet or 40,000 gallons	0 0750	0 10
City of Vacaville for streets	0 0000	0 12
Monthly minimum		1 00

An examination by the commission's engineers indicates that results of operation for the year 1917 were as follows:

Interest at 8 per cent on estimated investment of \$31,785.00	\$2,543 00
Maintenance and operation	3,773 00
Depreciation annuity on 6 per cent sinking fund basis	482 00
Total charges	\$6,798 00
Revenues	7,662 00
Surplus	\$864 00

The return upon the estimated investment in 1917, as shown by the foregoing statement, was 10.72 per cent.

Substantial increases in the cost of power for pumping and in other expense will materially raise maintenance and operation costs, and new services, meters and other additions to capital will result in increased interest and depreciation charges. The probable results of future operation, if rates remain as at present, are as follows:

Interest at 8 per cent on \$34,000.00	\$2,720 00
Maintenance and operation	4,680 00
Depreciation annuity on 6 per cent sinking fund basis...	550 00
Total charges	\$7,950 00
Revenues	7,662 00
Deficit	\$288 00

It is therefore evident that an increase in rates is justified and it is estimated that the rate schedule set out in the order following will produce the desired revenues:

ORDER.

Vacaville Water and Light Company having made application to this commission for the establishment of reasonable rates for water sold to its consumers, a public hearing having been held thereon, and being fully informed in the matter.

The Railroad Commission hereby finds as a fact that the rates now charged by said Vacaville Water and Light Company for water supplied to consumers are unjust and unreasonable in so far as they differ from the rates herein established and that the rates herein established are just and reasonable rates to be charged by Vacaville Water and Light Company.

Basing our order on the foregoing finding of fact and upon the findings contained in the opinion which precedes this order,

It is hereby ordered that Vacaville Water and Light Company be and the same is hereby authorized and directed to file with the Railroad Commission within twenty days from the date of this order, and thereafter to charge, the following rates for water served to consumers in Vacaville and vicinity:

Flat rates:

Rate Schedule.

Residences, 5 rooms or less, including toilet and bath.....	\$1 10 per month
Residences, over 5 rooms, including toilet and bath.....	1 60 per month
For each additional toilet or bath.....	25 per month
Stores	\$1 00 to 1 50 per month
Wash houses	\$2 00 to 3 00 per month
Water for toilet use only.....	50 per month
City of Vacaville for fire hydrants.....	75 00 per month

<i>Metered rates:</i>	Per 100 cubic feet	Per 1,000 gallons
From 0 to 6,000 cubic feet.....	\$0 20	\$0 267
From 6,000 to 15,000 cubic feet.....	0 15	0 200
Over 15,000 cubic feet.....	0 12	0 160
City of Vacaville for streets.....	0 10	0 133
Monthly minimum	----	1 00

Dated at San Francisco, California, this twenty-fifth day of April, 1919.

DECISION No. 6289.

IN THE MATTER OF THE APPLICATION OF PEDRO GONSALVES FOR
AUTHORITY TO INCREASE THE RATE CHARGED FOR WATER
SUPPLIED TO CERTAIN CONSUMERS.

Application No. 4342.

Decided April 25, 1919.

C. W. White, for Pedro Gonsalves.

BY THE COMMISSION.

OPINION.

This is the application of Pedro Gonsalves (Gonzales), who is sole owner and operator of a small water utility selling water for domestic and irrigation purposes in Eden Township, Alameda County, for authority to increase the rates charged his consumers. The community served lies in unincorporated territory about one mile south of the southern limits of the city of San Leandro.

The application states, in effect, that the charge heretofore made has been a flat rate of \$1.00 per month per consumer; that the revenue produced by this rate is insufficient to pay the cost of maintaining the water system and a reasonable return on the investment; wherefore applicant prays that such an increased rate be authorized as appears meet and proper in the premises.

A public hearing in this proceeding was held in San Leandro on February 28, 1919, before Examiner Encell.

This system supplies water to about forty consumers for domestic and irrigation uses. Water is pumped from two wells located at the rear end of two lots owned by applicant. The small community served is reasonably built up for a suburban district. The system is merely a small neighborhood affair which has practically reached its maximum capacity unless entirely rebuilt. A number of the consumers have extra lots besides those occupied by their dwellings, and use all the

space possible for raising fruits and vegetables for the market. These gardens are irrigated from the system of the applicant at no increase in charge over the rate for a house alone. This is unjust to those consumers who do no irrigating.

A field investigation of this utility was made by Assistant Engineer C. I. Rhodes of the commission's hydraulic division, and his report submitted at the hearing. No other appraisal was presented. Practically no records are or have been kept by applicant of operating expense, income or capital expenditures. Mr. Rhodes reports an estimated cost new of \$2,640.00 and a sinking fund annuity of \$51.00.

After a careful inspection of the few original records available, and analysis of the remaining elements of expense, a reasonable sum to cover the maintenance and operation expense of this utility is found to be \$495.00 per annum.

The annual charges which the consumers should return to the utility are:

Interest on \$2,640.00, 8 per cent.....	\$211 00
Maintenance and operation expense.....	495 00
Depreciation	51 00
Total annual charges	<u>\$757 00</u>

The total gross income applicant can expect with the rates at present in effect does not exceed \$480.00 per annum. It is apparent that such rates are unjust and unreasonable.

Though a fully metered system would be desirable, it is not deemed advisable in this proceeding that applicant be ordered to incur the additional expense of installing meters. From the meager data available, it appears that the rate hereinafter established will yield an amount at least equal to the above annual charges. In view of the opposition expressed at the hearing, to a flat rate, a provision will be herein made for a meter rate. Meters may be installed at the option of the utility or any consumer may demand that a meter be installed and water be delivered to him thereafter at measured rates. If the consumer demand that a meter be installed, he shall deposit with the utility the cost of such meter and installation. The amount deposited shall be returned to him as a credit on water bills at the rate of 50 per cent of his monthly bill.

ORDER.

Application having been made by Pedro Gonsalves (Gonzales) for authority to increase the rate charged for water, a public hearing having been held and the matter having been submitted,

It is hereby found as a fact that the rates now charged by Pedro Gonsalves, in so far as they differ from the rates herein established,

are unjust and unreasonable and that the rates herein established are just and reasonable.

Basing its order on the foregoing finding of fact and on the further findings contained in the opinion which precedes this order,

It is hereby ordered that Pedro Gonsalves (Gonzales) be and he is hereby authorized and directed to file within twenty days from the date of this order with the Railroad Commission of the state of California and thereafter charge the following schedule of rates:

Flat Rates.

For a single lot and dwelling-----	\$1 25 per month
For each additional lot irrigated-----	\$1 00 per month

Meter Rates.

For first 400 cubic feet or less-----	\$1 00
Over 400 cubic feet, per 100 cubic feet-----	25

It is further ordered that applicant provide at all times adequate service to each consumer receiving water from his system.

It is hereby further ordered that Pedro Gonsalves (Gonzales) file rules and regulations within thirty days of the date of the order with this commission for its approval and shall therefore put into effect such rules and regulations as amended and corrected by this commission.

Dated at San Francisco, California, this twenty-fifth day of April, 1919.

DECISION No. 6294.

IN THE MATTER OF THE APPLICATION OF GREAT WESTERN POWER COMPANY OF CALIFORNIA, GREAT WESTERN POWER COMPANY, CITY ELECTRIC COMPANY AND CONSOLIDATED ELECTRIC COMPANY FOR AN ORDER AUTHORIZING THE TRANSFER OF PROPERTIES, THE EXECUTION OF A MORTGAGE, THE ISSUE OF BONDS AND STOCK AND THE APPROVAL OF A FINANCIAL PLAN.

Application No. 4395.

Decided April 26, 1919.

AFFILIATED UTILITIES--OBLIGATIONS OF--ASSUMPTION.—Rate payers should not be injured through the assumption by one utility of the obligations of an affiliated company. In a rate-fixing investigation, the properties of the system should be regarded as a unit and no special attention paid to lease agreements.

FINANCIAL PLANS--APPROVAL OF.—The Railroad Commission can not give its approval of a proposed financial plan solely on a tentative draft of the proposed mortgage which is filed and a portion only of the plan disclosed by the records.

Consolidation of Great Western and affiliated companies authorized and the Great Western Power Company of California authorized to execute a mortgage and issue \$6,000,000.00 face value of 6 per cent bonds and \$1,500,000.00 par

value of 7 per cent preferred stock, bonds to be sold at not less than 88 and stock at not less than 90, proceeds to be used to discharge note and for construction of transmission line and generating plant. The Great Western Power Company and City Electric Company, authorized to issue \$2,407,000.00 and \$1,564,000.00 face value of bonds, respectively, such bonds to be pledged with trustee to secure bonds issued by Great Western Power Company of California.

Guy C. Earl and Chaffee E. Hall, for Applicants.

DEVLIN, Commissioner.

OPINION.

The Railroad Commission is asked to make its order:

1. Authorizing and permitting Consolidated Electric Company to sell, and Great Western Power Company to buy, all of the properties of Consolidated Electric Company subject to the liens of the mortgages thereon, in consideration of the assumption by Great Western Power Company of the mortgage and other obligations of Consolidated Electric Company.

2. Authorizing and permitting Great Western Power Company and City Electric Company to sell, and Great Western Power Company of California to buy, all of the properties of Great Western Power Company and City Electric Company (including the properties of Consolidated Electric Company to be theretofore acquired by Great Western Power Company), in consideration of the assumption by Great Western Power Company of California of all the mortgages and other obligations of Great Western Power Company and City Electric Company, respectively (including the obligations of Consolidated Electric Company to be theretofore assumed by Great Western Power Company).

3. Authorizing and permitting Great Western Power Company to issue and sell to Great Western Power Company of California \$2,407,000.00 of bonds now in the treasury of Great Western Power Company.

4. Authorizing and permitting City Electric Company to issue and sell to Great Western Power Company of California \$1,564,000.00 of bonds, said amount representing all of the bonds which the company may issue under its mortgage up to March 1, 1919.

5. Authorizing and permitting Great Western Power Company of California to execute its first and refunding mortgage upon the terms set forth in the financial plan attached to the petition herein and marked Exhibit "A."

6. Authorizing and permitting Great Western Power Company of California to issue and sell, at not less than 88 and accrued interest, \$6,000,000.00 of its Series "A" bonds secured by its first and refunding mortgage.

7. Authorizing and permitting Great Western Power Company of California to issue and sell at not less than 90, \$1,500,000.00 par value of its 7 per cent cumulative preferred stock.

8. Approving in general the financial plan set forth in Exhibit "A" attached to the petition herein.

The testimony shows that one of the main purposes of this application is the securing of funds necessary to finance the construction of important hydroelectric development work.

Great Western Power Company of California, hereinafter for convenience called "Western of California," proposes to immediately construct a hydroelectric generating plant (to be known as the "Caribou plant") of 40,000 kilowatts present capacity on the north fork of the Feather River. The plant is to be located in the main canyon of the north fork distant about six miles from Belden Station on the Western Pacific.

The petition further shows that the spillway at the Big Meadows Dam (Lake Almanor) will be raised 9 feet and the capacity of the reservoir thereby increased from 300,000 to 380,000 acre-feet. Water from the lake will be diverted through a large intake tower and through a concrete lined tunnel, 7 feet in inside diameter and 2 miles in length to the Butt Valley watershed and there spilled into the channel of Butt Creek where, together with the natural waters of Butt Creek, it will flow down the valley to a small dam at the lower end of the canyon, which will serve as the plant's forebay. A second tower will receive the waters at this point which, after passing through a series of three tunnels of an inside diameter of 9 feet and an aggregate length of about two miles (1,400 feet of which has already been excavated), will drop to the power house below, through steel penstocks imbedded in concrete in solid rock tunnels. The power house will consist of two 20,000 kilowatt units, together with necessary electrical apparatus for switching and stepping-up the electrical energy to the transmission voltage, all housed in a reinforced concrete structure. Ultimately the plant will be increased to a capacity of 136,000 kilowatts. From the power house a 150,000-volt steel tower transmission line is to be constructed to Big Bend and thence to Valona substation, a distribution net work center on the shore of San Francisco Bay, south of Carquinez Straits. A 9-mile standard gauge railroad will be built from the Western Pacific to the plant site in order that machinery and material may be economically handled. The lands, water rights and the major part of the easements necessary to the consummation of the project are the property of the Great Western Power Company.

The testimony shows that no difficulty will be encountered in securing the release of these properties from the lien of the mortgage of Great Western Power Company.

Applicants in Exhibit "II" estimate the cost of the new power plant and its appurtenances at \$4,321,430.00 and the cost of the transmission line at \$1,736,000.00, making a total of \$6,057,430.00. Though the estimate is not in detail, a preliminary check has been made of it by the commission's engineering department. It appears that the estimate is a liberal one and that the proposed construction can be carried out

within the figures named by the company. The tendency of prices for material is downward and the difficulty of securing efficient labor is becoming less. If the plant is built the commission will expect the construction to be carried on in the most economical manner consistent with the best engineering practice. If in the future the investment in this new plant and transmission line should become of importance in rate or other proceedings, the commission will not, of course, be bound by the estimated cost as filed in this proceeding or by the amount of stock and bonds herein authorized to be issued, but rather by the actual and reasonable investment in the plant and transmission line.

To finance this construction Western of California asks permission to issue \$6,000,000.00 of 6 per cent 30-year bonds and \$1,500,000.00 of 7 per cent cumulative preferred stock. To effect the sale of the bonds, a financial plan has been presented by applicants which, among other things, calls for the transfer of substantially all of the properties of Great Western Power Company, hereinafter for convenience called the "Western company," of the City Electric Company, hereinafter for convenience called the "City company" and of the Consolidated Electric Company, hereinafter for convenience called the "Consolidated company," subject to the existing indebtedness of these companies, to Western of California; the release of the remaining 55 per cent of the City company's stock from the lien of the mortgage of the Western company; the payment of a \$350,000.00 note by the Western of California and the execution of a new mortgage by the Western of California. While the plan refers to the transfer of substantially all of the properties of the Western company, the City company and the Consolidated company, both the petition herein and the testimony show that all of the properties of the Western company, City company and Consolidated company will be transferred to the Western of California. The commission expects all of these properties to be transferred.

No provision is made for the transfer of the properties of the California Electric Generating Company, hereinafter called for convenience the "Generating company," one of the companies constituting the Great Western power system. The Generating company owns a 10,500 K. V. A. steam generating plant in Oakland. Its report for the year ending December 31, 1918, shows \$5,000,000.00 of common and \$2,500,000.00 of 6 per cent preferred stock, and \$1,029,000.00 of 5 per cent bonds outstanding. The Western company owns all of the common stock, except shares necessary to qualify directors. It has guaranteed the payment of dividends on the preferred stock and also the payment of the bonds and the interest thereon. All of the stock and bonds of the Generating company were issued prior to the effective date of the Public Utilities Act. The guarantees were likewise executed prior to that date.

The steam plant of the Generating company is being operated under lease by the Western company, which agrees to pay annually for the use of the properties an amount equal to the interest on the outstanding bonds, the annual sinking fund payment, the dividend on the preferred stock and the expenses, not exceeding \$1,000.00 incident to the maintenance of the corporate existence of the Generating company. The annual rental paid by the Western company for the properties of the Generating company amounts to approximately \$230,000.00 per annum. In addition the Western company agrees to keep the properties in good repair and condition and pay all taxes.

As said, the proposed plan does not contemplate the transfer at this time of properties of the Generating company to the Western of California. However, by assuming all of the obligations of the Western company, the Western of California will become liable under the lease and the guarantees.

In response to an inquiry of the presiding commissioner made at the hearing, Mr. Mortimer Fleishhacker, president of Western of California and affiliated companies, and Mr. Guy C. Earl, counsel for applicants, declared that at no time will the commission be asked in a rate proceeding to segregate the properties of the Generating company from the other properties constituting the Great Western power system. If ever called upon to fix rates, the properties now constituting the Great Western power system may be regarded as a unit. In such a proceeding no special consideration need be given to the lease agreement between the Western company and the Generating company. The position of applicants, as announced by these officers in this regard, is a consideration to which considerable importance has been attached. The testimony makes it unnecessary to go into the question of the cost or values of the properties of the Generating company in this proceeding. The facts of this case show that the ratepayer is not injured by the Western of California assuming either the obligations under the lease or the guarantees.

Of the proceeds from the sale of the \$6,000,000.00 of its bonds, Western of California intends to advance \$1,650,000.00 to the Western company. The Western company is to deposit the \$1,650,000.00 with the trustee under its mortgage. Upon receiving the \$1,650,000.00, the trustee will release from the lien of the mortgage of Western company, the remaining 55 per cent of the City company stock, and thereafter permit the Western company to use the \$1,650,000.00 to finance the construction of the transmission line referred to above.

It is the construction of this transmission line in which the commission is primarily interested rather than the machinery employed in releasing the City company's stock from the lien of the Western company mortgage, as long as such release creates no prejudicial results.

The commission will insist that the \$1,650,000.00 be used to finance the construction of the transmission line.

Western of California asks permission to execute a first and refunding mortgage securing the payment of \$150,000,000.00 of bonds or an unlimited amount of bonds. The commission has been furnished with a preliminary draft of the proposed mortgage. The bonds are to be issued in series. The rate of interest is to be determined by the board of directors at the time it authorizes the creation of any new series. Series "A" shall consist of \$6,000,000.00 of 6 per cent 30-year bonds, due March 1, 1949. After the issue of the \$6,000,000.00 of bonds, additional bonds may be issued in an amount, in par value, not exceeding 80 per cent of the cash cost or fair value of additions, improvements or betterments (including limited amounts of securities with careful restrictions), provided the net earnings of the company and its subsidiaries for twelve consecutive months during the preceding fifteen months, after making proper deductions, including operating expense, taxes, maintenance, renewals, guaranteed interest on the bonds, and dividends on then outstanding preferred stock of California Electric Generating Company, is not less than one and three-fourths times the combined annual interest charges on the bonds of Great Western Power Company of California and its subsidiaries, determined by taking into account:

(a) The interest charges upon all indebtedness of the subsidiary companies not owned by the company;

(b) The dividends paid upon all preferred stock of the subsidiary companies not owned by the company;

(c) The interest charges upon all underlying bonds not owned by the company;

(d) The interest charges upon the bonds then outstanding hereunder;

(e) The interest charges upon the bonds for the certification and delivery of which hereunder such application is made; it being understood that no bonds shall be considered as outstanding for this purpose so long as they shall be deposited with the trustee hereunder or held in sinking funds either under this indenture or under any such underlying mortgage, or mortgage of a subsidiary company.

The new mortgage is also to provide for a cumulative sinking fund. The first payment into this sinking fund is to be made January 1, 1923. On that date, and annually thereafter, there is to be paid on account of the sinking fund an amount equal to $1\frac{1}{2}$ per cent of the bonds outstanding under the new mortgage. Of the sinking fund payments, one-third is to be used to purchase bonds of the Western of California at or below their redemption price, and the other two-thirds is to be used for the purpose of financing new construction or the acquisition of new properties; provided, however, that no additional bonds shall be certified

against construction paid for or properties acquired through funds withdrawn from the sinking fund. All sinking fund payments shall be made to the trustee in cash.

The new mortgage is to appropriate a sufficient amount of bonds to redeem, pay or refund the outstanding bonds of Great Western Power Company, City Electric Company, Consolidated Electric Company, California Electric Generating Company, Consumers Light and Power Company and Central Oakland Light and Power Company. While conditional authority is herein granted to execute a mortgage, such authority should not be interpreted as carrying with it the right to issue bonds to pay, redeem or refund outstanding bonds of any company controlled by or which is a subsidiary of Western of California.

The financial plan reported in Exhibit "A" requires the deposit with the trustee under the new mortgage of \$5,000,000.00 of Western company and City company bonds or bonds of subsidiary corporations. The testimony and Exhibit "G" show that Western of California now owns \$479,000.00 of Western Company and \$986,000.00 of City company bonds, or a total of \$1,465,000.00. In the amended petition herein, Western company asks permission to issue and sell to Western of California \$2,407,000.00 and City company \$1,564,000.00 of bonds.

In Exhibit "I," Western company reports that from April, 1914, to December 31, 1918, it expended on public utility properties the sum of \$2,515,622.37, against which the Railroad Commission has never authorized the issue of bonds. Western company believes that because of this expenditure it is justified at this time to issue \$2,407,000.00 of bonds. City company reports an expenditure to December 31, 1918, of \$2,442,681.52. It alleges that because of this expenditure, it is permitted to issue under its deed of trust \$1,564,000.00 of bonds.

While an appraisal of the properties of the Great Western power system has been filed with the commission, the commission has made no findings on the valuation to date. The appraisal has been checked by the engineering department of the commission, which takes exception not only to the conclusion reached by A. R. Kelley, who prepared the appraisal, but also to his method of procedure. Until the issues of the appraisal are definitely settled, the commission can not authorize the issue of any bonds in addition to those applied for herein against the properties referred to in Exhibit "I." Neither can it, under the existing circumstances, authorize the sale of these bonds. It will only permit the bonds, or such an amount thereof as may be necessary, to be used for the purpose of depositing them under the new mortgage to be executed by the Western of California. It is only because the commission feels that there is urgent need for the installation of additional

hydroelectric plants, and is convinced that if this installation is promptly and economically made it will inure to the benefit of the public as well as to the holders of stocks and bonds of the Great Western power system, that it is willing at this time to authorize either the Western company or the City company to issue the bonds referred to above for the limited purposes mentioned.

The authority herein granted to Western of California, Western company, City company or Consolidated company to issue bonds or sell properties should not be interpreted as an approval in any degree whatsoever of the appraisal of the properties constituting the Great Western power system filed with the commission, neither should such authority be interpreted as in any way modifying any former order of the commission nor the policy of the commission to base rates on property values rather than on the amount of securities outstanding.

The commission is asked to approve in general a financial plan set forth in Exhibit "A" attached to the petition herein. Neither copies of the proposed instrument of conveyance nor the final form of the proposed mortgage have been submitted to the commission. True, a preliminary draft of the mortgage has been filed. What changes, if any, are contemplated in that instrument, the commission is not advised. Obviously, the commission can not approve a financial plan, only part of which is disclosed by the record. The order herein indicates to what extent such plan is approved and the approval thereof is limited to the extent that an affirmative approval is herein given.

Applicants in Exhibit "F-2" submit a consolidated balance sheet of Great Western Power Company of California, Great Western Power Company, City Electric Company, California Electric Company and Consolidated Electric Company, constituting the Great Western power system, after eliminating intercompany accounts, in which Exhibit "F-2" they report assets and liabilities as follows:

TABLE I.
BALANCE SHEET—EXHIBIT F-2.

<i>Assets.</i>	
Fixed capital installed prior to January 1, 1913.....	\$53,635,689 79
Fixed capital installed since December 31, 1912.....	9,123,290 85
Cash and deposits—	
Cash	78,126 51
Special deposits	649,085 59
Notes receivable	96,188 42
Accounts receivable—	
System corporations	34,500 00
Consumers and agents.....	506,120 15
Miscellaneous	78,226 30
Interest and dividends receivable.....	809 34
Investments—	
Securities of other corporations.....	544,241 77
Miscellaneous	518,830 01
Materials and supplies—	
Material and supplies.....	270,389 12
Fuel oil	14,034 57
Loaned equipment	28,731 86
Sinking funds	781 28
Treasury securities	4,385,800 00
Prepaid expenses—	
Rents	605 00
Taxes	112,048 29
Insurance	5,163 65
Other	69,137 68
Unamortized discount on securities and expense.....	706,969 10
Other suspense	718 74
Construction work in progress—work orders.....	82,705 63
Total assets	\$71,002,193 65
<i>Liabilities.</i>	
Capital stock—	
Great Western Power Company of California (common).....	\$27,500,000 00
Great Western Power Company of California (preferred).....	173,684 22
California Electric Generating Company.....	2,500,000 00
Funded debt—	
Great Western Power Company of California.....	4,835,000 00
Great Western Power Company.....	24,330,000 00
California Electric Generating Company.....	1,029,000 00
City Electric Company.....	2,616,000 00
Consolidated Electric Company.....	2,075,000 00
Central Oakland Light and Power Company.....	68,000 00
Consumers Light and Power Company.....	89,000 00
Notes payable	709,476 81
Accounts payable—	
Audited vouchers	220,117 89
Wages unpaid	24,355 84
Consumers' deposits	9,222 49
Miscellaneous	103,640 12
Interest accrued	694,290 17
Taxes accrued	207,069 36
Dividends declared	71,500 00
Reserve for accrued depreciation.....	406,073 87
Casualty and insurance reserves.....	147,523 90
Income invested since December 31, 1912, in fixed capital.....	104,400 00
Other reserves from income or surplus.....	32,672 79
Corporate surplus unappropriated	3,056,127 19
Total liabilities and surplus.....	\$71,002,193 65

A segregation of the funded debt reported in Exhibit "G" appears in Table II, following:

TABLE II.
Funded Debt of Corporations Constituting Great Western Power System—Exhibit "G."

Name of company	Funded debt reported in Exhibit "F-2", December 31, 1918	Segregation of funded debt Exhibit "G", December 31, 1918			
		In hands of public	Owned by Great Western Power Company of California	Owned by Great Western Power Company	In treasury
Great Western Power Co. of California, 6's	\$4,835,000 00	\$4,835,000 00			
Great Western Power Company, 5's	24,330,000 00	20,779,000 00	\$179,000 00		\$2,407,000 00
City Electric Company, 5's	2,616,000 00	1,630,000 00	986,000 00		
California Electric Generating Company, 5's	1,029,000 00	992,000 00		\$37,000 00	
Consolidated Electric Company, 5's	2,075,000 00	1,662,200 00		422,800 00	50,000 00
Central Oakland Light and Power Co., 6's	68,000 00	68,000 00			
Consumers' Light and Power Company, 6's	80,000 00	85,000 00		4,000 00	
Totals	\$37,042,000 00	\$29,991,200 00	\$1,465,000 00	\$463,300 00	\$2,457,500 00

The consolidated income statement of Great Western power system, Exhibit "F-1," shows the following revenues and expenses after eliminating intercompany business:

Operating revenues.

Electric	\$4,379,398 30
Other	265,008 96

Total operating revenues	\$4,644,407 26
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Operating expenses.

Production	\$575,998 89
Transmission	94,880 86
Distribution	202,057 24
Commercial	152,421 59
General and miscellaneous	170,135 61
Other	210,154 82
Taxes	357,857 29
General amortization of capital	180,000 00

Total operating expenses	1,943,506 30
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Net operating revenue	\$2,700,900 96
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Nonoperating revenues	57,863 77
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Gross corporate income	\$2,758,764 73
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Deductions.

Uncollectible bills	\$18,792 41
Nonoperating revenue deductions	26,740 29
Interest accrued on funded debt	1,553,629 45
Other interest deductions	39,752 78
Rent deductions	24,432 23
Amortization of debt discount and expense	69,631 26

Total deductions	1,732,978 42
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Net income	\$1,025,786 31
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Less guaranteed dividends on California Electric Generating Company preferred stock	150,000 00
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Balance	\$875,786 31
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As indicated above, Western of California intends to issue \$6,000,000.00 of 6 per cent bonds at 88 and accrued interest and \$1,500,000.00 of 7 per cent preferred stock at 90. The annual interest charge on the \$6,000,000.00 of bonds will amount to \$360,000.00 and the dividend, based on \$1,500,000.00 of stock to \$105,000.00, making a total of \$465,000.00 to be added to the annual disbursements of the company for interest and dividends. In 1918, after paying interest and the guaranteed dividend on the \$2,500,000.00 of Generating company's stock, Great Western power system reported a surplus of \$875,786.31. The investment of approximately \$6,000,000.00 in the new plant and transmission line should result in a material increase in the company's net earnings.

I herewith submit the following form of order:

ORDER.

The Railroad Commission having been asked to make an order, as indicated in the foregoing opinion, a public hearing having been held and the commission being of the opinion that the money, property or labor to be procured or paid for by the issue and sale of the bonds and stock herein authorized is reasonably required for the purpose or purposes specified in the order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is ordered as follows:

1. Consolidated Electric Company is hereby granted authority to sell and convey all of its properties to Great Western Power Company and Great Western Power Company is given permission to purchase said properties, provided Great Western Power Company assumes the payment of all of the indebtedness of Consolidated Electric Company and all other obligations of Consolidated Electric Company; and provided, further, that the authority herein granted shall not be interpreted as a permission to sell and purchase only a part of said properties.

2. Great Western Power Company is hereby granted authority to sell all of its properties, including the properties of Consolidated Electric Company, to Great Western Power Company of California, and Great Western Power Company of California is given permission to purchase said properties, provided Great Western Power Company of California assumes the payment of all of the indebtedness of Great Western Power Company and all other obligations of Great Western Power Company; and provided, further, that the authority herein granted shall not be interpreted as permission to sell and purchase only a part of said properties.

3. City Electric Company is hereby granted authority to sell all of its properties to Great Western Power Company of California and Great Western Power Company of California is given permission to purchase said properties; provided, Great Western Power Company of California assumes the payment of all of the indebtedness of City Electric Company and all other obligations of City Electric Company; and provided, further, that the authority herein granted shall not be interpreted as permission to sell and purchase only a part of said properties.

4. Great Western Power Company of California is hereby authorized to execute a mortgage, which mortgage shall contain the provisions outlined in the financial plan attached to the petition herein, together with such other provisions as may be hereafter approved by the Railroad Commission, it being understood that prior to the execution of the

mortgage a complete copy of said mortgage be submitted to the Railroad Commission for its approval.

5. Great Western Power Company is hereby authorized to issue \$2,407,000.00 of its first mortgage 5 per cent bonds and deliver all of the bonds, or so many as may be necessary, to the trustee under the mortgage to be executed by Great Western Power Company of California, said bonds to be held by said trustee, so long as necessary, as collateral security for the payment of the bonds issued by Great Western Power Company of California. Any bonds not deposited with said trustee shall not be pledged, sold or disposed of in any manner without further order of the Railroad Commission.

6. City Electric Company is hereby authorized to issue \$1,564,000.00 of bonds and deliver all of said bonds, or so many as may be necessary, to the trustee under the mortgage to be executed by Great Western Power Company of California, said bonds to be held by said trustee, so long as necessary, as collateral security for the payment of the bonds to be issued by Great Western Power Company of California. Any bonds not deposited with said trustee shall not be pledged, sold or disposed of in any manner without further order of the Railroad Commission.

7. Great Western Power Company of California is hereby authorized to issue \$6,000,000.00 face value of 6 per cent Series "A" 30-year bonds and \$1,500,000.00 of 7 per cent preferred stock.

The authority herein granted is upon the following conditions, and not otherwise:

(a) The \$6,000,000.00 of bonds which Great Western Power Company of California is herein authorized to issue shall be sold for not less than 88 per cent of their face value plus accrued interest, and the \$1,500,000.00 of 7 per cent preferred stock at not less than 90 per cent of its par value, said bonds and stock to be sold for cash.

(b) Applicants shall file with the commission the serial numbers of all bonds deposited with the trustee under the new mortgage.

(c) The bonds which Great Western Power Company and City Electric Company are herein authorized to issue, if released by the trustee under the mortgage of Great Western Power Company of California, shall be returned to the treasuries of the Great Western Power Company and City Electric Company, respectively, and not thereafter disposed of in any manner without a further order from the Railroad Commission.

(d) The proceeds obtained from the sale of the \$6,000,000.00 of bonds and the \$1,500,000.00 of preferred stock of Great Western Power Company of California shall be used for the following purposes and no other:

(i) The sum of \$350,000.00 may be used to pay the note due the Bankers Trust Company referred to in exhibits attached to the petition herein.

(ii) The sum of \$1,650,000.00 may, if necessary, be deposited with the trustee under the mortgage of the Great Western Power Company to secure the release of 55 per cent of City Electric stock; provided, that the \$1,650,000.00, whether deposited with the said trustee or not, be expended for the purpose of paying for the transmission line referred to in Exhibit "H."

(iii) The remainder of the proceeds shall be expended for the purpose of paying for the construction of the hydroelectric generating plant and appurtenances described in Exhibit "H."

(c) No bonds herein authorized to be issued shall be issued until the Railroad Commission has approved by supplemental order the proposed mortgage of Great Western Power Company of California, and has been furnished with copies of the proposed instruments of conveyances.

(f) The consideration at which the public utility properties are herein authorized to be transferred shall not be considered as a measure of value of said properties before this commission or any other public body for rate-fixing or any purpose other than that referred to herein.

(g) Applicant in this proceeding shall submit to the commission for approval the book entries of the transfer of the purchase of the properties authorized in this order.

(h) The authority herein granted is not intended to be, nor shall it be, interpreted as an approval of the appraisal of any of the properties of the Great Western power system filed with the commission, nor as a finding of value of any of said properties.

(i) Within twenty days after the execution by the petitioners herein of instruments of conveyances transferring the properties referred to herein, certified copies of each and every such instrument of conveyance shall be filed with the Railroad Commission by Great Western Power Company of California.

(j) The financial plan referred to in Exhibit "A" is approved to the extent indicated in this order, such approval, however, being limited to the extent that affirmative approval is herein given.

(k) Great Western Power Company of California, Great Western Power Company and City Electric Company shall keep a true and accurate record of the issue of the stock and bonds herein authorized, and shall on or before the twenty-fifth day of each month, until all of such bonds and stock are issued and the proceeds expended, make a verified report to the Railroad Commission setting forth the fact and date of issue, the par value of stock and bonds issued, the amount received therefor and the disposition of the proceeds thereof, all in accordance with the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(l) The authority herein granted to issue bonds shall not become effective until the fee prescribed by the Public Utilities Act has been paid.

(m) The authority herein granted to transfer properties, issue stock and bonds shall apply only to such properties as may be transferred and to such stock and bonds as may be issued on or before December 31, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-sixth day of April, 1919.

DECISION No. 6297.

IN THE MATTER OF THE APPLICATION OF VALLEY NATURAL GAS COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF COMMON STOCK TO REFUND OUTSTANDING PREFERRED STOCK AND BONDS.

Application No. 4532.

Decided May 2, 1919.

C. C. Spicer, for Applicant.

MARTIN, *Commissioner*.

OPINION.

Valley Natural Gas Company asks permission to issue \$336,700.00 par value of common stock. Applicant intends to issue \$121,700.00 of the common stock to refund \$97,000.00 of bonds, and \$215,000.00 of the common stock to refund \$191,700.00 par value of 8 per cent cumulative preferred stock. In calculating the basis of conversion the bonds to be refunded are figured at par, the preferred stock at 90 and the common stock at 80.

In former decisions, the Railroad Commission authorized applicant to issue its preferred stock at 90 and its common stock at 80.

Applicant as of March 31, 1919, reports its asset and liability accounts as follows:

<i>Asset Accounts.</i>	
Fixed capital	\$674,693 42
Cash	22,167 28
Accounts receivable	47,925 98
Materials and supplies	16,689 61
Unamortized discount and expense	75,277 73
Liberty bonds	200 00
Suspense	1,379 81
Total asset accounts	\$838,333 83

<i>Liability Accounts.</i>	
Capital stock -----	\$255,000 00
Funded debt -----	192,000 00
Accounts payable -----	17,458 68
Interest accrued -----	480 00
Taxes accrued -----	55,173 27
Reserve for accrued depreciation -----	119,234 66
Appreciated value of fixed capital -----	123,324 54
Corporate surplus -----	75,662 68
Total liability accounts -----	\$838,333 83

In Decision No. 4485, dated July 27, 1917, the engineering department of the commission estimated the investment of Valley Natural Gas Company at \$652,537.98. The investment on March 31, 1919, is reported by the company at \$674,693.42. Deducting from the \$674,693.42 applicant's reserve for accrued depreciation—\$119,234.66—leaves a balance of \$555,458.76.

On March 31, 1919, applicant reported stock and bonds outstanding as follows:

Common stock -----	\$63,300 00
Preferred stock -----	191,700 00
Bonds -----	192,000 00
Total -----	\$447,000 00

If this application is granted and the common stock applied for issued, applicant will have outstanding:

Common stock -----	\$400,000 00
Bonds -----	95,000 00
Total -----	\$495,000 00

The testimony shows that all of the preferred stockholders and all of the common stockholders, except the owners of two shares, have consented to the conversion of the preferred stock and \$97,000.00 of bonds into common stock. Applicant has been unable to get in touch with the owners of the two shares and is therefore not in a position to advise the commission what the attitude of the owners of these two shares is in regard to the conversion of preferred stock and bonds into common stock.

If applicant's proposed plan is carried out, it will result in an increase of \$48,000.00 in the amount of stock and bonds outstanding against the properties. It should, however, be noted that \$97,000.00 of bonds and \$191,700.00 of 8 per cent cumulative preferred stock will be converted into common stock. The annual interest charges will be reduced from \$11,520.00 to \$5,700.00, or by the sum of \$5,820.00. It is applicant's intention to retire the remaining \$95,000.00 of bonds as soon as possible. The plan outlined in this application will permit the preferred stockholders and the bondholders who convert their bonds

into common stock to participate to a larger extent than heretofore in the surplus earnings of the company, assuming, of course, that applicant's earnings do not decrease.

I herewith submit the following form of order:

ORDER.

Valley Natural Gas Company having applied to the Railroad Commission for permission to issue \$336,700.00 par value of common stock for the purposes indicated in the foregoing opinion, a public hearing having been held, and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income.

It is hereby ordered that Valley Natural Gas Company be and it is hereby granted authority to issue \$336,700.00 par value of its common stock for the following purposes and upon the following conditions:

1. The common stock herein authorized to be issued shall be sold by applicant for not less than 80 per cent of its par value.

2. Of the common stock herein authorized to be issued, \$121,700.00 par value shall be used by applicant for the purpose of refunding the \$97,000.00 of bonds and \$360.00 of interest, listed in the statement attached to the petition herein.

3. Of the common stock herein authorized to be issued, \$215,000.00 par value shall be used to refund the \$191,700.00 par value of 8 per cent cumulative preferred stock now outstanding.

4. Valley Natural Gas Company shall keep true and accurate record of the issue and sale of the stock herein authorized to be issued and on or before the twenty-fifth day of each month following the month during which any stock may be issued, make a verified report to the Railroad Commission, setting forth the fact and date of such issue and the consideration received therefor, all in accordance with the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted shall apply only to such stock as may be issued on or before November 30, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this second day of May, 1919.

DECISION No. 6299.

IN THE MATTER OF THE APPLICATION OF SACRAMENTO VALLEY WEST SIDE CANAL COMPANY, SUPERIOR CALIFORNIA FARM LANDS COMPANY AND WILLIAM F. FOWLER, RECEIVER, FOR AN ORDER AUTHORIZING THE SALE OF A PORTION OF A PUBLIC UTILITY WATER SYSTEM.

Application No. 2978.

Decided May 2, 1919.

MARTIN, *Commissioner*.

SUPPLEMENTAL OPINION.

The order of this commission dated July 14, 1917, authorized Sacramento Valley West Side Canal Company and William F. Fowler, the receiver of its property, to sell and convey the certain property described in exhibits filed with the application under consideration at that time, but only to the parties and for considerations and upon terms to be thereafter authorized by supplemental order.

On February 17, 1919, there was filed with the commission an amended application in which the name of Alger Fast is inserted as receiver of the company in lieu of William F. Fowler, who resigned since the former order upon this application, and the Princeton-Codora-Glenn Irrigation District, P. B. Cross and Provident Irrigation District have become joint applicants. The amended application recites that on October 1, 1917, all the property described in Exhibit "A" attached to the amended application was sold by Special Master Thomas J. Franklin under decree of the District Court of the Northern District of California to Merle B. Moon, but that this sale has not yet been confirmed by the court. M. B. Moon entered into a contract with the Princeton-Codora-Glenn Irrigation District in which it is agreed that the former would sell and the latter would buy all of the properties set forth in the contract and marked Exhibits "B" and "C." The application further details certain rights and rights of way granted P. B. Cross by M. B. Moon which will, of course, be given the full legal consideration to which such grants may be found to be entitled.

It is stated that the Princeton-Codora-Glenn Irrigation District has proceeded with its organization and is now prepared to become owner of the properties in question, sufficient moneys having been provided for the purchase. All the property is within the territorial limits of

the irrigation district, and no obligations of a public utility nature are to be assumed, the property being devoted to the service of the lands within the district only under the Wright Irrigation Act.

It is also stated that certain laterals have been sold to P. B. Cross and by P. B. Cross transferred to the Provident Irrigation District.

The authorization of the commission is asked for all of these transfers which have been attempted or agreed upon between the parties. The exhibits before referred to state the remuneration for the portions of applicant's property that are to be transferred and the terms of payment.

The record shows that the proceeds of the foreclosure sale, amounting to \$75,000.00, will be disposed of, under orders of the District Court, as follows:

Payment to former receiver, William F. Fowler, for compensation allowed by the District Court.....	\$12,000 00
Payment to Devlin & Devlin, attorneys for the receiver, for compensation allowed by the District Court.....	\$15,000 00
To be applied on outstanding receiver's certificates, amounting to \$65,000 00	\$47,000 00
Total	\$75,000 00

Opposition to the transfer of property to the Provident Irrigation District developed at the hearing held on March 26, 1919, but has since been withdrawn. There was no opposition to the transfer of property to the Princeton-Codora-Glenn Irrigation District.

I submit the following form of order:

ORDER.

Sacramento Valley West Side Canal Company, a corporation, and Alger Fast, receiver of said Sacramento Valley West Side Canal Company, Superior California Farm Lands Company, Princeton-Codora-Glenn Irrigation District, P. B. Cross, and Provident Irrigation District, having made application to this commission for permission to transfer certain property, described in the exhibits attached to the amended petition, public hearings having been held, and the commission being of the opinion that this amended application should be granted,

It is hereby ordered that Sacramento Valley West Side Canal Company, and Alger Fast, receiver thereof, be and the same are hereby authorized to sell and convey to Princeton-Codora-Glenn Irrigation District the property known as the River Branch canal, described in "Exhibit B" and designated as "Parcel 1," subject to a right of way to the Provident Irrigation District, and also to sell and convey to said district all the properties described in "Exhibit C" and designated as "Parcel 2."

It is hereby further ordered that Sacramento Valley West Side Canal Company, and Alger Fast, receiver thereof, be and the same are hereby authorized to sell and convey to P. B. Cross the following described properties:

That part of the said canal and irrigation system of said Sacramento Valley West Side Canal Company described in "Exhibit A" and commonly known as the "Barnes lateral," "Quatman lateral," "Schaad A lateral," "Schaad B lateral," "Chambers east lateral," "Chambers west lateral," "Quint lateral," "Hagopian lateral," "Hagopian A lateral," "Hagopian B lateral," "Hagopian C lateral," "Hagopian D lateral," "Bank lateral," "Hill lateral," "Nishan lateral."

It is hereby further ordered that Sacramento Valley West Side Canal Company, and Alger Fast, receiver thereof, be and the same are hereby authorized to sell and convey to Provident Irrigation District the following property described in said "Exhibit A":

That part of said canal and irrigation system known as "Schaad lateral," "Schaad lateral through Hart Ranch," and "Quint lateral through Hart Ranch" and the right of way described in paragraph VII of the application.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this second day of May, 1919.

DECISION No. 6312.

CITY OF INGLEWOOD

vs.

INGLEWOOD WATER COMPANY.

Case No. 1300.

Decided May 10, 1919.

Clyde Woodworth, city attorney, for Complainant.

Harry Lee Martin, secretary Inglewood Water Company, for Defendant.

BRUNDIGE, Commissioner.

OPINION.

This is a complaint made by the city of Inglewood against the rates of the Inglewood Water Company for fire service.

At the hearing, it was stipulated that the rate of \$5.00 per hydrant per year be charged for this service instead of the minimum rate of \$25.00 per month for the hydrants in place as of January 1, 1919, and

\$1.00 per month for each additional hydrant. The stipulation provided that the establishment of this rate would in no way prejudice the rights of either party.

There were fifteen fire hydrants in place January 1, 1919, as follows:

Six cast iron two-way hydrants.

Six cast iron one-way hydrants.

Three wrought iron one-way hydrants.

I am of the opinion that the utility should be authorized to put the stipulated rate in effect. It is a reduction of the rates established by this commission and will in no way affect other consumers.

ORDER.

Public hearing having been held in the above-entitled proceeding and it having been submitted, and the commission being fully apprised in the premises,

It is hereby ordered that Inglewood Water Company be and it is hereby directed to file with this commission and charge the following rate for fire service to the city of Inglewood, effective as of January 1, 1918:

Fire hydrants per year per outlet----- \$5 00

It is further ordered that the rate schedule established in Decision No. 6082, dated January 27, 1919, shall remain in full force and effect in all other respects.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission.

Dated at San Francisco, California, this tenth day of May, 1919.

DECISION No. 6313.

APPLICATION OF SAN BERNARDINO MOUNTAIN AUTO LINE TO INCREASE PASSENGER FARES AND FREIGHT RATES BETWEEN SAN BERNARDINO AND FOREST HOME, BIG BEAR VALLEY, LITTLE BEAR VALLEY, SEVEN OAKS AND INTERMEDIATE POINTS.

Application No. 4379.

Decided May 10, 1919.

Byron Waters, for Applicant.

By THE COMMISSION.

OPINION.

In this application the San Bernardino Mountain Auto Line applies under Rule No. 11 of this commission's General Order No. 51 for authority to make certain changes in its passenger and freight rates, most of which will result in increases.

Applicant operates an automobile stage line, for the transportation of passengers and freight, between San Bernardino and Forest Home, Big Bear Valley, Little Bear Valley, Seven Oaks and intermediate points over what is known as the Rim of the World Drive, covering a distance of approximately one hundred miles.

It is proposed to increase passenger fares to a basis of approximately 10 cents per mile and to increase the freight rates on nonperishable commodities by 25 cents per 100 pounds, except to Forest Home, to which point the increase will be 15 cents per 100 pounds. At the same time it is proposed to reduce the freight rates on perishable commodities by 25 cents per 100 pounds. The most important changes in passenger fares will be made in the round trip from San Bernardino to Forest Home, which will be increased from \$3.00 to \$3.50 and to Bear Valley from \$7.25 to \$10.00.

A public hearing was held at Los Angeles on April 15, 1919, before Examiner Handford and although notice was given to the general public through advertisement in the San Bernardino and Redlands newspapers and individual advices mailed to patrons and to interested city officials, no one appeared in opposition to the application.

The general manager of the auto line gave testimony in support of the application and introduced an exhibit showing applicant's assets as of March 31, 1919, to be \$38,550.78. Of this amount \$34,077.93 represented the value of automobiles, office fixtures, real estate, supplies, etc., devoted exclusively to the automobile common carrier business. Financial statements were also presented giving the operating income

and expenses for the years 1916-17-18. In 1916 the total income was \$50,333.95; in 1917 \$59,233.84 and in 1918 \$70,570.49, while the expenses in 1916 were \$38,613.12; in 1917 \$54,213.80 and in 1918 \$73,889.43, showing an increase in the income in 1918 over 1916 of 40 per cent and an increase in expenses during the same period of time of 91 per cent. In 1916, operating expenses were 61 per cent of the income; in 1917, 91 per cent and in 1918, 105 per cent. The year 1916 produced a substantial profit, but nothing was charged off for depreciation and the good showing was further augmented by reason of the automobile equipment being new and requiring but little maintenance. In the year 1917 the income was slightly in excess of the expense, while in the year 1918 there was a loss of \$3,318.94. However, in this latter year applicant set aside a depreciation fund.

It is also to be noted that the total expense per car mile increased from .3031 in 1916 to .5245 in 1918. The latter figure includes depreciation and, therefore, is not a fair comparison with the year 1916, when no depreciation was charged.

Under the new federal law, applicant must pay an annual tax of from \$20.00 to \$50.00 per automobile, dependent upon the size of the machine, and a 5 per cent tax on automobile tires; these taxes, with other estimated additional costs will increase expenses for the year 1919 over 1918 from \$1,500.00 to \$2,000.00.

The traffic handled by applicant, both passenger and freight, consists principally in taking care of vacationists and tourists, the season opening about May 1 and being practically over before the end of the year; traffic is heaviest during the months of July, August and September, when about 50 per cent of the total is handled. The testimony further refers to the fact that the line does not pay the actual operating expenses during the months of October, November and December. The territory through which these stages move is mountainous for a greater part of the distance, there being many steep grades and sharp curves, with the summit at an elevation of 8,150 feet; it is, therefore, claimed that the automobiles in this service will have been rendered practically useless for mountain work in from five to seven years. Applicant is now setting aside a depreciation fund of 20 per cent, which does not appear excessive under the conditions existing in the territory traversed.

It is expected that the year 1919 will offer a larger volume of business than was handled in previous years and it is the intention of applicant if the increases are authorized to secure additional cars and other equipment in order to render prompt and satisfactory service.

There was some criticism of delays and the manner in which the freight was handled in 1918, but this was due to war conditions, it being

difficult to secure satisfactory drivers, other employees and materials. This condition, however, will be overcome in the future, as men and supplies are now more easily obtainable.

The fares proposed are practically those in effect in the year 1916. In 1917 the management, under the impression that lower rates would stimulate traffic, made reductions to the present basis, but the rapidly increasing operating costs have more than offset the increases in revenue, and it is clearly proven from the results obtained that the company can not render a proper and satisfactory service under these reduced rates.

Apparently, the patrons of this line conceded the reasonableness of the request to restore the rates in effect during the year 1916, otherwise there would have been some opposition to the application, for as heretofore stated, individual notices were mailed direct to all interested parties.

The owners of this property have had no dividends and whatever profits have resulted from operations in the past have been devoted to the betterment of the service.

After giving careful consideration to all of the testimony and evidence introduced in this proceeding, we are of the opinion and find that the present rates are noncompensatory and unreasonable and that a sufficient showing has been made to justify the granting of the application.

ORDER.

The San Bernardino Mountain Auto Line having applied to the Railroad Commission for an order authorizing the increasing of its passenger fares and freight rates, a public hearing having been held and the commission, being fully apprised in the premises, hereby finds as a fact that the passenger fares and freight rates at present in effect are noncompensatory and unreasonable and that the fares and rates set forth in the exhibits attached to the application and as shown in the proposed Local Passenger Tariff No. 1-B, C. R. C. No. 3 and proposed Local Freight Tariff No. 1-B, C. R. C. No. 3, introduced at the hearing as Exhibit No. 1 are just and reasonable.

It is hereby ordered that the San Bernardino Mountain Auto Line be authorized to file with this commission within twenty (20) days from date of this order tariffs carrying the fares and rates as set forth in the application and as shown in proposed passenger and freight tariffs C. R. C. No. 3.

Dated at San Francisco, California, this tenth day of May, 1919.

DECISION No. 6314.

IN THE MATTER OF THE APPLICATION OF COUNTY OF CONTRA COSTA
FOR AN ORDER AUTHORIZING THE OPENING OF A PUBLIC ROAD
IN ROAD DISTRICT No. 1. S. D. No. 4. ACROSS THE TRACKS OF
SOUTHERN PACIFIC COMPANY AND THE ATCHISON, TOPEKA AND
SANTA FE RAILWAY COMPANY, WEST OF PITTSBURG.

Application No. 2816.

Decided May 10, 1919.

GRADE CROSSINGS—CLEARANCES—DEVIATIONS FROM.—Under exceptional conditions permission will be granted permitting the construction of an undergrade crossing with clearances less than the minimum provided by General Order No. 26.

GRADE CROSSINGS—EXPENSES OF—APPORTIONMENT OF.—Order issued specifying type of construction of undergrade crossing in Contra Costa County and apportioning the cost thereof 50 per cent to the county and 25 per cent each to the two railroads interested.

Frank B. Austin, for United States Railroad Administration, Southern Pacific Division.

M. R. Jones, for the city of Pittsburg.

A. B. Tinning, district attorney, for the county of Contra Costa.

Platt Kent, for United States Railroad Administration, Santa Fe Division.

W. E. Creed, for the manufacturing interests of Pittsburg.

BY THE COMMISSION.

OPINION ON SUPPLEMENTAL APPLICATION.

Decision No. 4669 of September 24, 1917, contains the following order:

“It is hereby further ordered that permission be and the same hereby is granted County of Contra Costa to construct its highway at separated grades, either above or below the tracks of The Atchison, Topeka and Santa Fe Railway Company and Southern Pacific Company in a manner to be determined hereafter by the commission and covered by a supplemental order; the expense of this construction shall be borne fifty (50) per cent by Contra Costa County, twenty-five (25) per cent by Southern Pacific Company and twenty-five (25) per cent by The Atchison, Topeka and Santa Fe Railway Company.”

(See Opinions and Orders of the Railroad Commission of California, Vol. 14, pp. 108-111.)

The county by its supplemental application now requests a supplemental order authorizing it to construct a subway beneath the tracks of both railroads and that the commission determine the type of structure and its approximate cost. While the commission can not fix the cost, it may, pursuant to the original order, properly determine the type of crossing and approve plans for it.

Public hearings upon the supplemental application were held by Examiner Westover on March 25 and April 25.

At the first hearing the county presented its plans for a subway of girder construction with an I-beam floor system with the request that the commission adopt that type of crossing, approve its plans and direct the construction work to proceed at once. The plan locates the subway at the highest point of land in the vicinity and gives a more nearly right-angle construction than the original plans of 1917.

The railroads urged that construction should wait until prices had reached a more normal basis, particularly as the roads are not financially prepared for construction work because of the failure of Congress to appropriate necessary funds to carry on their business for the ensuing year. They were also unwilling at the time to say whether they would favor a subway or viaduct. The county is very anxious to proceed with the work so that it may be completed before the rainy season in the fall.

The commission's engineers presented statistics showing that cost of materials after previous great wars have required from 16 to 30 years to return to normal and that the price of steel has been fixed for probably the remainder of the year. They also suggested that the excavation and paving might be done by the county and temporary trestles installed leaving the permanent structure to be built by the railroads at a more convenient time.

The examiner suggested that the county might also arrange to finance the entire construction and be reimbursed later by the railroads when financially able to do so. After a brief conference the county announced that it would finance the construction and charge the railroads for their respective proportions, carrying the amount in open account.

The hearing was adjourned for a month to give opportunity to the railroads to study the county's plans and if desired submit plans of their own.

At the second hearing the county submitted modified plans. The Southern Pacific submitted plans and the Santa Fe presented a statement from its chief engineer, setting forth its position. All parties agreed that a subway should be constructed, the railroads to care for and maintain their tracks during the necessary excavation and erect the superstructures and relay their tracks; and that the abutments will be constructed of sufficient width to accommodate one additional track on each railroad although the superstructure will be constructed to accommodate only the existing single track in each instance.

The county's modified plans contemplate construction of a trough floor structure, while those of the Southern Pacific contemplate girder construction with I-beam floor of shallow depth, with a few minor

changes in the county's foundation and roadway plans, which were readily agreed to by the county. The engineering problem presented is to provide a means of procuring the standard clearance of 14 feet above the roadway, required by the commission's General Order No. 26, and yet retain the advantage of natural drainage of the subway by gravity rather than to install pumping equipment estimated to cost about \$3,000.00 with a continuing cost of maintenance.

The commission's engineers recommend that in view of the exceptional circumstances found here in this particular instance, the commission's standard clearance may be safely reduced to 13 feet 6 inches and that the Santa Fe adopt a type of girder superstructure similar to that to be installed by the Southern Pacific Company, being 320 feet long over all and 2 feet 10 inches from base of rail to bottom or clearance line of steel; and that the Santa Fe tracks, which are 1.4 feet lower than the Southern Pacific tracks at the point of crossing, be raised 1 foot. This would leave about a 3-inch infringement of clearance under the Southern Pacific girders which the county agreed to take care of by a change of grade on the roadway. It was also agreed that the cost of raising the Santa Fe's tracks will be included as part of the improvement, and paid for in the proportions set forth in the original order.

The county having expressed satisfaction with this solution and the railroads having offered no objection to it or further recommendation, that solution is adopted and will be incorporated in the order.

SUPPLEMENTAL ORDER.

Public hearings having been held upon the supplemental application in the above-entitled proceeding, and the matter being now ready for decision,

It is hereby ordered that the separation of grades west of Pittsburg, under the tracks and right of way of The Atchison, Topeka and Santa Fe Railway Company and the Southern Pacific Company, granted in Decision No. 4669, Application No. 2816, shall be in the form of a subway similar to the one shown on the plans of applicant's Exhibit No. 2 and located as shown on Applicant's Exhibit No. 3, both of which exhibits were filed March 25, 1919, said subway plans for both railroads to be modified as shown on the amended drawing, No. 3192, Sheet No. 1, Drawer No. 1011, submitted by the Southern Pacific Company as Exhibit No. 5, filed April 25, 1919.

It is hereby further ordered that the tracks of The Atchison, Topeka and Santa Fe Railway Company shall be raised one foot in elevation at the subway, the gradient of the said tracks for a distance not greater than one thousand feet on each side of the subway to be changed to conform to the new elevation at the subway.

It is hereby further ordered that in this particular case clearance from roadway to clearance line of steel may be 13 feet 6 inches; all other clearance requirements of General Order No. 26, to remain in full force and effect.

It is hereby further ordered that the division of cost of the subway, including the necessary expenditures to raise The Atchison, Topeka and Santa Fe Railway Company tracks, shall be borne fifty (50) per cent by the county of Contra Costa, twenty-five (25) per cent by The Atchison, Topeka and Santa Fe Railway Company, and twenty-five (25) per cent by the Southern Pacific Company, as specified in Decision No. 4669, rendered September 24, 1917.

The commission reserves the right to make such further orders relative to the location, construction, operation, maintenance and protection of said subway as to it may seem right and proper, and to revoke or modify this order, if in its judgment the public convenience and necessity demand such action.

Dated at San Francisco, California, this tenth day of May, 1919.

DECISION No. 6316.

LOLA V. JOYNER

vs.

JOHN T. GAFFEY, OWNER OF THE GAFFEY WATER COMPANY.

Case No. 1311.

Decided May 12, 1919.

WATER SERVICE—REFUSAL OF.—In a complaint to compel a water utility to install a service connection a defense that the supply is so limited as to prevent installation of additional connections will not avail when it is shown that by repairing leaks and preventing the overflow of storage tanks there will be sufficient water to serve the additional consumer. Service to complainant directed.

Lola V. Joyner, in propria persona.

John T. Gaffey, in propria persona.

BY THE COMMISSION.

OPINION.

The complaint in the above-entitled proceeding alleges in effect that complainant, residing at 763 Sepulveda street, San Pedro, on which is located a water main owned by defendant, has made application for

water service for domestic purposes and has been refused. The commission is asked for an order compelling defendant to extend service to complainant's property.

Defendant's answer alleges that the entire supply of water for the territory served is secured from the city of Los Angeles under a contract entitling defendant to 50,000 gallons per day; that notification has been given him that a draft on the city's system in excess of that quantity will not be allowed; that the use of water by present consumers is equal to the total amount to which he is entitled under his contract and that refusal to extend service to complainant is based only upon an insufficient supply. Dismissal of the complaint is therefore asked.

A public hearing was held in Los Angeles on May 5, 1919.

Defendant serves approximately 132 consumers in what is known as the La Rambla District of Palos Verdes Ranch adjacent to San Pedro in Los Angeles County. Approximately 50 per cent of the consumers have metered service and practically all the use of water is for domestic purposes, although there are a few persons who consume larger quantities for irrigation purposes.

The evidence shows that the average draft on the city's water system has exceeded the contractual allowance of 50,000 gallons in at least one month during the year 1918 and that permission to exceed that quantity has been refused.

Testimony also disclosed the fact that any other source of supply is out of the question owing to remoteness and consequent excessive cost.

An inspection of the plant of defendant was made by Mr. F. M. Faude, one of the commission's hydraulic engineers, who testified that while the physical condition of the water system is as good as is generally found in systems of like character and size, that there are means of conserving the present supply thereby making it possible to extend service to the complainant, whose requirements for the present season at least are for domestic use only. He testified that there now exists upon the system, leaks which if repaired would conserve a considerable supply of water and also that there is considerable waste of water due to pumping into a tank which is a part of defendant's system, after the tank has been filled. We believe that if the defendant will use diligence in repairing leaks in water mains and discontinue pumping as soon as the tank is filled that complainant herein can be supplied with water without working any hardship upon the present consumers of defendant.

ORDER.

Lola V. Joyner, having filed complaint in the above-entitled proceeding, a public hearing having been held thereon, being fully informed in the matter, and basing the order upon the preceding opinion,

It is hereby ordered that defendant proceed with due diligence to install a service pipe from his water main to the property of complainant and thereafter to furnish an adequate supply of water for domestic purposes.

And it is further ordered that defendant avoid all preventable waste of water on his system; that all leaks in the distribution pipes be repaired as soon as possible after they occur; and that defendant's tanks shall not be allowed to overflow.

Dated at San Francisco, California, this twelfth day of May, 1919.

DECISION No. 6320.

IN THE MATTER OF THE APPLICATION OF T. L. GATES, SUSAN W. ENGLISH AND W. Z. McBRIDE FOR AUTHORITY TO CONVEY ALL OF THE CAPITAL STOCK AND PROPERTY OF VACAVILLE WATER AND LIGHT COMPANY, OF WHICH THEY ARE THE SOLE STOCKHOLDERS AND FOR WHICH THEY ARE TRUSTEES, TO VACAVILLE WATER AND POWER COMPANY, A CORPORATION.

Application No. 4375. .

Decided May 12, 1919.

Applicants authorized to transfer utility property to the Vacaville Water and Power Company in exchange for \$69,000.00 face value of stock which the latter-named company is granted permission to issue.

W. Z. McBride, for Applicants.

BY THE COMMISSION.

OPINION.

This is an application involving the sale and transfer of the Vacaville Water and Light Company properties to Vacaville Water and Power Company and the issue of stock by the latter company.

A hearing was held on this application before Examiner Encell on April 7, at San Francisco.

The record shows that Vacaville Water and Light Company was organized May 2, 1890, for a term of twenty-five years. During its corporate existence, the company issued \$25,000.00 of stock. On May 2, 1915, when the charter of the company terminated, one-third of the stock was owned by W. Z. McBride, one-third by T. L. Gates and one-third by Susan W. English. The three stockholders were also the directors of the corporation on May 2, 1915. When the corporation ceased to exist, it became their duty, as trustees, after paying the debts of the corporation to convey the properties to the persons entitled thereto.

The trustees have caused to be organized the Vacaville Water and Power Company to which corporation they intend to convey the properties in exchange for \$75,000.00 of stock. A description of the properties was filed with the Railroad Commission on April 25.

In Decision No. 5869, dated October 28, 1918, the Railroad Commission fixed applicant's electric rates and in so doing used a rate base of \$34,205.00. The \$34,205.00 includes \$1,500.00 for necessary meters and \$2,000.00 for materials and supplies.

In Decision No. 6288, dated April 25, 1919, the Railroad Commission in fixing the company's water rates allowed an 8 per cent return on \$34,000.00. In a statement recently filed, W. Z. McBride reports that since the appraisals of the properties by the engineering department of the commission, \$2,459.54 has been added to the investment. It appears, however, that the \$2,459.54 includes \$823.98 for meters, whereas \$1,500.00 was allowed for necessary meters in the electric rate decision. To permit the issue of stock against both amounts would obviously result in duplicate capitalization. For the purpose of this proceeding, we deduct the \$1,500.00 and recognize the \$823.98 actually expended to date for meters.

The trustees operating the properties have incurred an indebtedness of \$1,500.00. Taking into account the appraisals of both the electric and water properties, the investment since the appraisals have been made and the existing indebtedness against the properties, we believe the Vacaville Water and Power Company should be permitted to issue \$69,000.00 of its common stock to acquire the properties now being operated by W. Z. McBride, T. L. Gates and Susan W. English, as trustees. The remaining \$6,000.00 of stock which Vacaville Water and Power Company may issue under its articles of incorporation should be held in its treasury. The \$6,000.00 of stock may, if its issue is authorized by the Railroad Commission, be sold for the purpose of securing funds to pay for improvements, additions and betterments.

ORDER.

T. L. Gates, Susan W. English and W. Z. McBride having applied to the Railroad Commission for permission to sell and transfer properties which they are operating to Vacaville Water and Power Company in exchange for \$75,000.00 of stock, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue of stock as is herein authorized, is reasonably required for the purpose or purposes specified in the order, and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that T. L. Gates, Susan W. English and W. Z. McBride, trustees, be and they are hereby authorized to transfer the properties described in the proposed deed filed with the Railroad Commission on April 25, 1919, to Vacaville Water and Power Company.

It is hereby further ordered that Vacaville Water and Power Company be and it is hereby granted authority to issue \$69,000.00 par value of its common capital stock for the purpose of acquiring the properties referred to in this order.

The authority herein granted is upon the following conditions and not otherwise:

1. The consideration at which the public utility properties are herein authorized to be transferred, shall not be urged as a measure of value of said properties before this commission or any other public body for rate-fixing or for any purpose other than the transfer herein authorized.

2. Applicants shall file with the Railroad Commission for approval prior to the transfer of the properties, the book entries relative to the transfer and purchase of said properties.

3. Within thirty days after the execution by the petitioners herein of an instrument of conveyance transferring the properties herein referred to, a certified copy of said instrument of conveyance shall be filed with the Railroad Commission by Vacaville Water and Power Company.

4. Vacaville Water and Power Company shall keep a true and accurate record of the sale of the stock herein authorized to be issued, and on or before the twenty-fifth day of the month following the month during which said stock was issued, make a verified report to the Railroad Commission setting forth the fact and date of such issue, and the consideration received therefor, all in accordance with the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted to issue stock and transfer property shall apply only to such stock as may be issued and to such property as may be transferred on or before October 1, 1919.

Dated at San Francisco, California, this twelfth day of May, 1919.

DECISION No. 6321.

R. M. CHAPMAN

vs.

IMPERIAL UTILITIES CORPORATION, A CORPORATION.

Case No. 1193.

Decided May 12, 1919.

Present flat rates of defendant water company found reasonable. However, a schedule of meter rates established and defendant directed to meter all consumers and hereafter supply water at meter rates only.

R. M. Chapman, in propria persona,

Benjamin J. Henley, for Defendant.

BY THE COMMISSION.

OPINION.

The complaint alleges in effect that since the present base rate of \$2.50 per month was established for water furnished to consumers residing in Calipatria, Imperial County, defendant's expenses have not apparently increased and the number of consumers has approximately doubled. Complainant therefore believes the present charges excessive, and asks that the commission establish a reasonable rate. Defendant in its answer denies that rates are excessive, and prays that the commission establish a rate for metered service and thereafter allow the installation of meters at the option of either the utility or the consumers.

A public hearing was held in Calipatria before Examiner Westover.

The present flat rates complained of, including the base rate of \$2.50 per month for residences of six rooms or less, were established upon unanimous petition of all consumers, including the complainant, by Decision No. 2681 of August 9, 1915. The present schedule modified in several particulars the rates which had been authorized a month before by Decision No. 2585 of July 9, 1915, and included a raise in the base rate from \$2.00 to \$2.50. Both decisions were rendered upon Application No. 1675 by the previous owner of the plant. (See Opinions and Orders of the Railroad Commission, Vol. 7, pp. 594 and 820.)

Defendant was organized about April 10, 1917, with an authorized capital stock of \$100,000.00, divided into 1,000 shares of the par value of \$100.00 each. Its general purpose is to acquire and operate public utility plants at various points in Southern California. It has acquired water plants at Calipatria and Niland, in Imperial County, at Monterey Park near Los Angeles, and is party to an application now before the commission under which it seeks to acquire two water plants at Barstow.

Its water supply for Calipatria is obtained from the canal of Imperial Valley Water Company No. 3, a mutual water company, of which defendant controls 621 shares by virtue of an option contract authorizing it to purchase 500 shares of said stock in separate blocks of 50 shares from time to time within five years from its date at the rate of \$15.00 per share, and 121 shares additional at \$17.50 per share. As each share represents four acre-feet of water per year, it will be seen that an abundant water supply has been provided for its plants at Calipatria and Niland.

The water is led by ditch to defendant's settling reservoir, where it is purified and pumped into tanks from which it is distributed over a large area by 6-inch, 4-inch and 2-inch mains to 140 or more service connections.

Defendant presented an appraisal of its Calipatria plant, gross revenue and operating expenses and depreciation allowance in substance as follows:

Appraisal as of February 28, 1918.....	\$20,790 74
Gross revenue for 11 months.....	\$3,453 25
Maintenance and operation, 11 months.....	2,483 59
Net earnings from operation, 11 months.....	\$969 66
Annual depreciation allowance.....	350 00

Included in the appraisal are 6 acres of land at \$1,550.00, only two acres of which appear by the testimony to be now used and useful; and also \$5,012.75 as "franchises and water rights," although it appears that no water stock has been purchased, the amount of water stock needed has not yet been determined upon, and that not over 250 shares has been set apart for the use of the Calipatria plant. In the appraisal are also two other items which probably should be distributed between several plants and for which sufficient information is not available at this time to show a just distribution. One of these items is the sum of \$811.59, being an account entitled "undistributed construction equipment, including automobile," concerning which sufficient detail is not furnished, and the other is an item of \$1,475.43 for "organization and intangibles." The latter is half of an item divided equally between the Calipatria and Niland plants. It evidently covers numerous items of legal, engineering and trustee's fees and expenses which should be investigated and properly distributed between all of applicant's plants when full information is available. As the commission remarked concerning similar items discussed in Decision No. 4969 of December 26, 1917, authorizing the execution of defendant's so-called "open end mortgage" in connection with the acquisition of its plants at Calipatria and Niland: "Portions of these items should be distributed to other properties when acquired. The entire amounts do not appear to be properly

chargeable to these two plants." (See Opinions and Orders of the Railroad Commission of California, Vol. 14, pp. 738-9.) It is also evident that the system is overbuilt and that present consumers should not be compelled to pay a full return upon the investment.

Some deductions should be made from defendant's statement of maintenance and operation expense, but these deductions will be offset by reasonable increases in future expense.

The effect upon gross revenue of the future use of metered rates can not be closely computed because water use in the past has been based on flat rates only. However, the company suggests a schedule of metered rates designed to produce sufficient revenue to meet its annual charges. This proposed schedule includes a minimum monthly charge of \$2.00. We include in the order a schedule of metered rates designed to produce the annual charges, but which we consider will more equitably distribute these charges between consumers.

The commission has stated in a number of instances that a measured system of rates is the only method by which each consumer bears his fair portion of the expense, and we recommend that this utility proceed to fully meter its system and thereafter charge only the schedule of metered rates set out in the order herein. Full allowance will be made therein for the necessary cost of meters and installation, depreciation and such other additional expenses as will result.

A careful consideration of all circumstances affecting a decision in this case leads us to the conclusion that the present flat rates should not be disturbed, especially during the transition from flat to metered rates.

As to the suggested Rules Nos. 14, 15, 16 and 17 governing metered service, submitted in defendant's Exhibit "B," the proposed rules may be filed for approval or modification at the time the new schedule of metered rates is filed. The rules contemplate that the company or consumers may have the option to change a service from flat to metered rates upon thirty days' written notice, meter to be installed at the company's expense.

ORDER.

A public hearing having been held in the above-entitled case, the matter having been submitted and being now ready for decision,

The Railroad Commission hereby finds as a fact that the present flat rates charged by defendant for water furnished to consumers in Calipatria and vicinity are just and reasonable rates, and basing its order upon the above finding of fact and upon the findings contained in the opinion preceding this order,

It is hereby ordered that until such time as meters are installed upon individual services or until the further order of the commission, the present flat rates charged by defendant shall remain in full force and effect.

It is hereby further ordered that the Imperial Utilities Corporation file with this commission within twenty days from the date hereof and thereafter charge the following rates for water supplied through metered services to the inhabitants of Calipatria and vicinity :

Metered Rates.

Monthly minimum payments:

$\frac{5}{8}$ -inch meters	\$1 00
$\frac{3}{4}$ -inch meters	1 50
1 -inch meters	2 00
1 $\frac{1}{2}$ -inch meters	3 00
2 -inch meters	4 00
3 -inch meters	5 00
4 -inch meters, or larger	6 00

Monthly meter rates:

From 0 to 500 cubic feet per 100 cubic feet	\$0 20
From 500 to 1,000 cubic feet per 100 cubic feet	0 18
From 1,000 to 2,000 cubic feet per 100 cubic feet	0 15
From 2,000 to 15,000 cubic feet per 100 cubic feet	0 12
From 15,000 to 100,000 cubic feet per 100 cubic feet	0 10
From 100,000 to 1,000,000 cubic feet per 100 cubic feet	0 09
From 1,000,000 to 4,000,000 cubic feet per 100 cubic feet	0 08
Above 4,000,000	0 07

Dated at San Francisco, California, this twelfth day of May, 1919.

DECISION No. 6322.

SHERMAN A. PADDOCK ET AL.

vs.

LAS FLORES WATER COMPANY, A CORPORATION.

Case No. 1098.

Decided May 12, 1919.

JURISDICTION—MUTUAL WATER COMPANIES.—A water-distributing company whose articles of incorporation and by-laws show clearly that it was organized solely to distribute water to stockholders at cost is held to be a mutual company over which the Railroad Commission has no jurisdiction, irrespective of the fact that it has served water to several consumers, not stockholders, but who had leased land of stockholders for short periods of time, which land was in the area served by defendant.

Raymond G. Thompson, for Complainants.

Anderson & Anderson, for Defendant.

BY THE COMMISSION.

OPINION.

The complaint in the above-entitled proceeding alleges in effect that defendant is a public service corporation supplying water to the inhabitants of the territory immediately adjoining the city of Pasadena on

the northeast, and has furnished water for domestic purposes to six or more consumers who own no stock in defendant corporation. It is also alleged that defendant has charged and collected from these six or more consumers a minimum monthly charge of \$1.50 for all water used up to 450 cubic feet and 15 cents for each 100 feet in excess of that amount, while consumers who own one or more shares of the stock of defendant corporation are charged \$1.50 for all water used up to 900 cubic feet. It is further alleged that charges to consumers who are not owners of stock are excessive and this commission is asked to establish a lesser rate, and 10 cents per 100 feet for all water used in excess of 600 feet.

Defendant denies that it is a public service corporation and alleges that it is a mutual water company, not conducted for profit but for the purpose of distributing its water among its stockholders. Defendant admits that six consumers, not stockholders in the corporation, are supplied with water for domestic purposes, but alleges that these persons are occupants of land within the district served, and each of the premises occupied by these persons is endorsed, upon stock issued by defendant, as the location where water is to be used.

Public hearings in this proceeding were held in Los Angeles.

If defendant is a mutual water company, this commission is without jurisdiction and can not establish rates, therefore the public utility status of defendant will first be considered and passed upon.

Chapter 80, Statutes of 1913, states in effect that a mutual water company is an association organized for the purpose solely of delivering water to its stockholders at cost, and is not subject to the jurisdiction of this commission.

It is apparent from the testimony and from an inspection of defendant's articles of incorporation and by-laws that this corporation was organized as a mutual water company, and the evidence clearly shows that defendant's operations have been conducted without profit, as is indicated by the fact that rates have been changed from time to time as costs of operation have increased or decreased.

It has been the custom of stockholders to rent lands, to which stock is appurtenant, to persons not stockholders who have paid charges directly to defendant, the bills being guaranteed by the stockholders. The evidence clearly shows, however, that in effect these moneys are paid, for and in behalf of the stockholders, by the lessees who act as agents only.

After a careful consideration of all the evidence, we are of the opinion that the intention of defendant has been at all times to conduct its affairs as a mutual company and we hereby find as a fact that defendant is a mutual water company.

ORDER.

Sherman A. Paddock and others having made complaint against Las Flores Water Company, public hearings having been held, and being fully advised in the matter and basing our order on the finding of fact contained in the foregoing opinion,

It is hereby ordered that the complaint in above-entitled proceeding be and the same is hereby dismissed.

Dated at San Francisco, California, this twelfth day of May, 1919.

DECISION No. 6323.

IN THE MATTER OF THE APPLICATION OF COAST COUNTIES GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AUTHORITY TO INCREASE GAS RATES.

Application No. 4268.

Decided May 12, 1919.

GAS SERVICE—QUALITY OF.—Gas of a heating quality of from 500 to 520 B. t. u. is held to be unsatisfactory and the utility is required to improve the quality of its gas to a minimum average of 550 B. t. u. per cubic foot.

VALUATIONS—DUPLICATE CONSTRUCTION.—Parallel distributing mains purchased from a competing utility are not held to be duplicate construction on the value of which no allowance will be made when it is shown that both sets of mains must be used to properly maintain pressure and service to existing consumers.

RATE BASE—RETURN.—A utility can not expect a full return of 8 per cent on the value of its property when its present rates are already so high that a further increase would only tend to reduce the revenue of the utility through loss of business. Revised schedule of gas rates established for meter readings made on and after May 10, 1919.

S. Waldo Coleman, for Applicant.

W. R. Springer, city attorney, and *George W. Smith*, for city of Santa Cruz.

A. W. Sans and *R. H. Hudson*, for city of Watsonville.

DEVLIN, Commissioner.

OPINION.

Coast Counties Gas and Electric Company in its application alleges that increased costs of fuel oil and wages have occurred since its gas rates were last established by Decision No. 5257, dated April 1, 1918 (Vol. 15, Opinions and Orders of the Railroad Commission of the State of California, p. 497), and asks that further relief be granted to it in the form of a surcharge on its gas rates.

Public hearings were held in Santa Cruz and in Watsonville, at which latter time the matter was submitted and is now ready for decision.

Coast Counties Gas and Electric Company, hereinafter at times referred to as applicant, is a gas and electric utility and in connection with its gas business, operates four manufacturing plants and distributing systems in Santa Cruz, Watsonville, Hollister and Gilroy, supplying in total 3,633 consumers.

Protestants testified at the hearing held at Watsonville that the number of oil stoves used as a substitute for gas has increased since the raise in rates of April 1, 1918; that any further raise in gas rates would result in a further increase in the use of oil stoves; that gas now supplied is of a poorer quality than that prior to the first of April, 1918, and that there is no uniformity to the quality of gas supplied; that the pressure is very poor, especially in the morning and evening, rendering the preparation of meals practically impossible.

An analysis of applicant's operating costs and an investigation of its gas service were made by the commission's gas and electric division.

The amount of oil used in the manufacture of gas at the four plants of applicant is as follows:

Santa Cruz-----	13.1 gallons per 1,000 cubic feet of gas sold
Watsonville -----	12.2 gallons per 1,000 cubic feet of gas sold
Hollister -----	15.0 gallons per 1,000 cubic feet of gas sold
Gilroy -----	13.8 gallons per 1,000 cubic feet of gas sold

These figures are comparable with those of other small gas plants serving approximately the same number of consumers and they appear to show reasonably good operation. The boilers of the various plants are fired with lampblack, which is produced as a by-product, and economy is shown in their operation. Investigation shows that applicant's expense for labor has, in general, been reduced to a minimum.

The complaints that have arisen, particularly in Watsonville, are due largely to lack of pressure during the morning and evening hours. The commission has already required applicant to set pressure gauges in Watsonville, which will enable the commission to determine the actual pressure conditions and to order the necessary improvements.

Tests made of the gas supplied from the Santa Cruz plant showed a heating value of 550 B. t. u. per cubic foot, and from 500 to 520 B. t. u. for the other three plants.

The gas manufactured at these plants should have a minimum average quality of 550 B. t. u. per cubic foot, this being the quality which applicant reports in its rate schedules. Applicant now maintains a calorimeter at the Santa Cruz plant for the purpose of measuring the quality of the gas there. This calorimeter should be moved from time to time and used to measure the quality of gas at each of the other plants. In this manner a record will be obtained of the quality of all gas furnished, and more uniformity will result.

Mr. A. W. Sans, city attorney of Watsonville, suggested at the hearing held at Santa Cruz that a valuation should be made of the gas properties of applicant in connection with this proceeding. Applicant shows the value of its gas properties as of January 1, 1919, in its Exhibit "B," as follows:

Santa Cruz	\$199,297 88
Watsonville	117,950 83
Hollister	51,541 99
Gilroy	33,482 08
Total	\$432,272 78

It does not appear necessary at this time to make a detailed valuation of the gas properties herein. From a survey of these properties and a comparison of applicant's figures above, with valuations of other similar properties where careful valuations have been made by the commission, it appears that applicant's figures are reasonable and will be used in this proceeding for rate-fixing purposes. With the high prices existing at present, a reproduction cost new of applicant's properties would unquestionably exceed the figures submitted by applicant. It must be borne in mind, however, that in adopting applicant's figures of capital in the present instance, this commission does not thereby make a formal finding of value.

The duplication of gas mains in the city of Watsonville was challenged as being an item of capital, the return on which should not be borne by the consumers. This duplication involves 5.3 miles of mains, purchased by applicant from a former competing gas company. I find that under the present operating conditions the two sets of pipe lines are necessary to supply the present volume of gas at suitable pressure to consumers in the territory affected. If applicant had not purchased these gas mains, it would, in most of this section, have been forced to replace its own pipes with those of larger size to properly maintain pressure and delivery of gas. This would have required a greater cost than that now resulting from the two systems of pipes.

Applicant's actual revenue, expense and return for each district for the year ending December 31, 1918, are as follows:

	Santa Cruz	Watsonville	Hollister	Gilroy	Total
Revenue	\$55,794 36	\$33,695 20	\$15,523 35	\$14,134 65	\$119,147 56
Expense*	47,681 69	26,932 98	16,837 72	13,444 54	104,896 93
Net earnings	\$8,112 67	\$6,762 22	†\$1,314 37	\$690 11	\$14,250 63
Per cent on capital for interest and depreciation	4.07%	5.73%	-----	2.06%	3.29%

*Excluding depreciation.

†Deficit.

If the present rates, as established in Decision 5257, *supra*, remain in effect during the entire present year, the returns for the year 1919 will be as follows, assuming the gas sales for 1919 to be the same as during 1918:

	Santa Cruz	Watsonville	Hollister	Gilroy	Total
Revenue -----	\$61,592 94	\$35,770 85	\$16,338 25	\$14,889 03	\$121,591 08
Expense* -----	51,350 69	27,442 49	15,642 09	13,401 44	107,836 71
Net earnings -----	\$13,242 25	\$8,328 37	\$696 16	\$1,487 59	\$23,754 87
Per cent on capital for interest and depreciation -----	6.63%	7.07%	0.85%	4.45%	5.49%

*Excluding depreciation.

And if a reasonable depreciation annuity of 2 per cent be deducted under operating expenses, the applicant's return on the entire property will average 3.5 per cent for the year 1919.

The cost of fuel oil to applicant at its several plants on April 1, 1918, and January 1, 1919, is shown in the following table:

Price of Fuel Oil Per Barrel.

Plant	As of April 1, 1918	As of Jan. 1, 1919	Increase per barrel
Santa Cruz -----	\$1.646	\$1.847	\$0.201
Watsonville -----	1.747	1.948	.201
Hollister -----	1.856	2.065	.209
Gilroy -----	1.739	1.948	.209

The increases in operating expenses for the year 1919 per thousand cubic feet of gas sold, due to higher costs of oil, assuming the same gross sales as in the year 1918, are, for each district:

Santa Cruz -----	6.27 cents per 1,000 cubic feet sold
Watsonville -----	5.83 cents per 1,000 cubic feet sold
Hollister -----	7.48 cents per 1,000 cubic feet sold
Gilroy -----	6.87 cents per 1,000 cubic feet sold

Applicant urges that it be allowed rates that would produce a full 8 per cent return upon its capital after the deduction of depreciation. Rates to accomplish this, particularly at the Hollister plant, would be so high as to make the use of gas prohibitive, and in all probability the resulting loss of business would far exceed the gain in revenue. Applicant can not fairly expect to receive a full 8 per cent return in these times, with high operating expenses due to present abnormal conditions, when, under former more favorable conditions this business had not demonstrated any such earning ability. The burdens should be borne in

part by applicant as well as by its rate payers, and we can not now establish rates that will increase the return to 8 per cent.

The increase herein authorized will result in average rates for all gas sold of \$1.70 in Santa Cruz, \$1.73 in Watsonville, \$1.82 in Hollister and \$1.78 in Gilroy. In case no loss of business results from the increase herein granted the net return to applicant in Watsonville and Santa Cruz districts will be approximately 7.5 per cent, 6 per cent in the Gilroy district, while in Hollister the net will only slightly exceed operating expenses and depreciation.

Applicant has asked for increased gas rates in the form of a surcharge to existing rates. In my opinion, however, the present costs are of a character sufficiently permanent to warrant a change in the rate structure itself. It is understood, however, that the commission will keep a record of the company's operations and modify the rate if conditions warrant. I am of the opinion that the rates set forth in the order hereinafter are sufficient to absorb the increases in the costs of oil and will, under all the circumstances, produce a reasonable return.

I submit the following form of order:

ORDER.

Coast Counties Gas and Electric Company having applied to the Railroad Commission for an increase in its rates and charges for gas in Santa Cruz, Watsonville, Hollister and Gilroy, public hearings having been held, the matter submitted and being now ready for decision, the Railroad Commission of the state of California hereby finds as a fact that the rates for gas now charged by Coast Counties Gas and Electric Company are not just and reasonable rates, and that the rates and charges for gas herein established are, under present conditions, just and reasonable rates.

Basing its order upon the foregoing findings of fact and on the other findings of fact contained in the opinion which precedes this order,

It is hereby ordered that Coast Counties Gas and Electric Company charge and collect the following rates for gas in the respective territories and for the classes of service set forth in the following schedules, which rates shall apply on all regular meter readings taken on and after the tenth day of May, 1919:

SCHEDULE No. 1.

General Gas Service—Santa Cruz.

	Gross	Net
First 500 cubic feet or less per meter per month	\$1 10	\$1 00
Next 2,000 cubic feet per meter per month.....	1 75	1 65 per 1,000 cubic feet
Next 2,500 cubic feet per meter per month.....	1 60	1 50 per 1,000 cubic feet
Next 5,000 cubic feet per meter per month.....	----	1 30 per 1,000 cubic feet
Next 5,000 cubic feet per meter per month.....	----	1 10 per 1,000 cubic feet
All over 15,000 cubic feet per meter per month	----	1 00 per 1,000 cubic feet

Prompt payment discount:

All bills are rendered at the gross rate shown above. A discount reducing the bill to the net rate is made for prompt payment in case bills are paid within ten days of presentation.

SCHEDULE No. 2.

General Gas Service—Watsonville.

	Gross	Net
First 500 cubic feet or less per meter per month	\$1 10	\$1 00
Next 2,000 cubic feet per meter per month----	1 80	1 70 per 1,000 cubic feet
Next 2,500 cubic feet per meter per month----	1 60	1 50 per 1,000 cubic feet
Next 5,000 cubic feet per meter per month----	----	1 30 per 1,000 cubic feet
Next 5,000 cubic feet per meter per month----	----	1 10 per 1,000 cubic feet
All over 15,000 cubic feet per meter per month----	----	1 00 per 1,000 cubic feet

Prompt payment discount:

All bills are rendered at the gross rate shown above. A discount reducing the bill to the net rate is made for prompt payment in case bills are paid within ten days of presentation.

SCHEDULE No. 3.

General Gas Service—Hollister and Gilroy.

	Gross	Net
First 500 cubic feet or less per meter per month	\$1 10	\$1 00
Next 2,000 cubic feet per meter per month----	1 85	1 75 per 1,000 cubic feet
Next 2,500 cubic feet per meter per month----	1 60	1 50 per 1,000 cubic feet
Next 5,000 cubic feet per meter per month----	----	1 35 per 1,000 cubic feet
Next 5,000 cubic feet per meter per month----	----	1 20 per 1,000 cubic feet
All over 15,000 cubic feet per meter per month----	----	1 10 per 1,000 cubic feet

Prompt payment discount:

All bills are rendered at the gross rate shown above. A discount reducing the bill to the net rate is made for prompt payment in case bills are paid within ten days of presentation.

SCHEDULE No. 4.

Gas Service With Prepay Meters, Santa Cruz, Watsonville, Hollister and Gilroy.

Rate, \$2 per 1,000 cubic feet per meter per month. Minimum monthly charge, \$1 per meter.

SCHEDULE No. 5.

Gas Service for Hotels, Restaurants and Bakeries, Santa Cruz and Watsonville.

	Gross.	Net.
Rate per 1,000 cubic feet.	\$1 00	\$0 95
Minimum weekly charge per meter-----	7 50	7 00
Annual guarantee -----	----	150 00

Prompt payment discount:

All bills are rendered at the gross rate shown above. A discount reducing the bill to the net rate is made for prompt payment in case bills are paid within ten days of presentation.

SCHEDULE No. 6.

Gas Service for Hotels, Restaurants and Bakeries, Santa Cruz, Watsonville, Hollister and Gilroy.

	Gross.	Net.
Rate per 1,000 cubic feet.	\$1 20	\$1 10
Minimum weekly charge per meter-----	4 00	3 50
Annual guarantee -----	----	50 00

Prompt payment discount:

All bills are rendered at the gross rate shown above. A discount reducing the bill to the net rate is made for prompt payment in case bills are paid within ten days of presentation.

Provided Coast Counties Gas and Electric Company shall, within ten days of the date of this order, file with the Railroad Commission the schedules of gas rates herein established.

It is hereby further ordered that the gas supplied by Coast Counties Gas and Electric Company to its consumers from each of its plants shall have an average quality of not less than 550 British thermal units per cubic foot, under standard conditions of 30 inches of mercury pressure and 60 degrees Fahrenheit temperature.

It is hereby further ordered that Coast Counties Gas and Electric Company file with the Railroad Commission on or before the tenth day of each month a statement of the results of calorimeter tests of the gas supplied to its consumers during the preceding month.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twelfth day of May, 1919.

DECISION No. 6324.

IN THE MATTER OF THE APPLICATION OF COAST VALLEYS GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS OF THE FACE VALUE OF ONE HUNDRED AND TWENTY-FIVE THOUSAND DOLLARS.

Application No. 4352.

Decided May 12, 1919.

JURISDICTION—BONDS—GUARANTEE OF.—The Railroad Commission has no jurisdiction to determine the liability of a utility with reference to a guarantee of bonds of another corporation entered into by a utility, the property of which was subsequently acquired by applicant.

IMPROVEMENTS—NECESSITY FOR.—Contested obligations of a utility will not prevent the commission from authorizing it to issue a reasonable amount of securities when it is shown that the funds to be obtained therefrom are necessary to enable it to make extensions and improvements beneficial to both the utility and its consumers.

Applicant authorized to issue \$125,000.00 face value of its 6 per cent first mortgage bonds to be sold at not less than 85, proceeds to reimburse its treasury covering capital expenditures heretofore made and to discharge indebtedness.

Chickering & Gregory, by *Warren Gregory*, for Applicant.

W. F. Williamson, for certain of the bondholders of Monterey and Pacific Grove Railway Company.

Myrick & Deering and *James Walter Scott*, for certain other bondholders of Monterey and Pacific Grove Railway Company.

LOVELAND, *Commissioner*.

OPINION.

Coast Valleys Gas and Electric Company asks authority to issue \$125,000.00 of its first mortgage 6 per cent bonds, due March 1, 1952.

Applicant intends to use the proceeds from the sale of the bonds to partially reimburse its treasury for expenditures on capital account. After such reimbursement, applicant intends to use approximately \$93,000.00 to pay its indebtedness due Sierra and San Francisco Power Company, and the remainder to finance the construction of extensions, additions and betterments to its plant.

Applicant reports its asset and liability accounts as of December 31, 1918, as follows:

<i>Asset Accounts.</i>	
Total fixed capital-----	\$1,289,506 74
Cash-----	37,864 79
Special deposits-----	4,664 02
Accounts receivable-----	39,861 01
Interest and dividends receivable-----	1,020 00
Miscellaneous investments-----	11,378 00
Material and supplies-----	32,907 25
Sinking funds-----	9,270 00
Treasury securities-----	2,000 00
Prepaid expenses-----	9,604 57
Unamortized discount on stock-----	4,808,971 49
Unamortized discount on bonds-----	22,353 83
Other suspense-----	1,981 98
Total asset accounts-----	\$6,271,383 68

<i>Liability Accounts.</i>	
Common stock outstanding-----	\$3,000,000 00
Preferred stock-----	2,000,000 00
Bonds outstanding-----	900,000 00
Accounts payable-----	124,812 77
Interest accrued-----	18,000 00
Taxes accrued-----	5,017 47
Surplus billed in advance-----	750 00
Reserve for accrued depreciation-----	91,524 38
Casualty and insurance reserves-----	2,008 82
Bond interest matured (see contra)-----	1,020 00
Corporate surplus unappropriated-----	128,250 24
Total liability accounts-----	\$6,271,383 68

Coast Valleys Gas and Electric Company was organized on March 18, 1912. The outstanding \$5,000,000.00 of stock was issued prior to the effective date of the Public Utilities Act. The company's balance sheet filed with the commission shows discount on capital stock in the amount of \$4,808,971.49. No dividend has ever been paid on either the common or preferred stock of the company.

The operating revenues of applicant have increased from \$228,802.01 in 1915 to \$339,643.54 in 1918, while during the same period the amount available to pay interest and other deductions from gross corporate

income increased from \$74,043.63 to \$84,170.13. Applicant's reports filed with the commission show revenues and expenses as follows:

Item	1915	1916	1917	1918
Operating revenues—all departments	\$228,802 01	\$253,450 66	\$293,555 52	\$339,643 54
Operating expenses—all departments	159,108 12	175,672 85	214,728 43	257,405 82
Net operating revenues	\$69,693 89	\$77,777 81	\$78,827 09	\$82,237 72
Other income	4,319 74	1,012 89	1,183 44	1,932 41
Gross corporate income	\$74,043 63	\$78,790 70	\$80,010 53	\$84,170 13
Deductions—				
Uncollectible bills	281 01	222 91	411 37	409 95
Interest on funded debt	54,000 00	54,000 00	54,000 00	54,000 00
Other interest	4,743 43	4,138 15	3,903 73	3,385 06
Amortization of discount	531 50	697 55	804 76	674 16
Miscellaneous	391 25	157 05	156 06	206 59
Total deductions	\$59,917 19	\$59,215 66	\$59,275 92	\$58,675 78
Balance to corporate surplus account	\$14,096 44	\$19,575 04	\$20,734 61	\$25,494 35
Corporate surplus account—				
Surplus beginning of year	\$86,444 73	\$59,787 67	\$78,204 50	\$100,816 34
Additions—				
Profit from income account	\$14,096 44	\$19,575 04	\$20,734 61	\$25,494 35
Miscellaneous	1,774 90	1,701 36	2,503 25	2,288 05
Surplus, plus additions	\$102,316 07	\$81,064 07	\$101,442 36	\$128,598 74
Deductions	42,528 40	2,859 57	626 02	348 50
Surplus end of year	\$59,787 67	\$78,204 50	\$100,816 34	\$128,250 24

The \$42,528.40 of deductions from surplus in 1915 includes \$39,423.89, representing Monterey and Pacific Grove Railway Company notes and interest, considered uncollectible.

In Decision No. 4847, dated November 16, 1917, the commission in fixing applicant's rates—electric, gas and water—and after reviewing the affairs of the corporation and referring to the appraisal of the properties and their original cost, used as a rate base, \$1,213,146.36. In addition, it allowed \$26,600.00 for cash working capital, making a grand total of \$1,239,746.36. Since November 16, 1917, and prior to November 30, 1918, applicant reports that it has expended for additions and betterments the sum of \$77,921.71, which, added to the rate base, makes a total of \$1,317,668.07. Against the \$1,317,668.07, applicant reports \$900,000.00 of bonds outstanding. The amount of bonds outstanding is \$417,668.07 less than the rate base fixed by the commission

in Decision No. 4847, plus the cost of additions and betterments since the date of that decision.

Applicant now asks permission to issue \$125,000.00 of additional bonds. The issue of these bonds is opposed by certain bondholders of Monterey and Pacific Grove Railway Company, represented by W. F. Williamson, Myrick & Deering and James Walter Scott. The bondholders of the railway company contend that Coast Valleys Gas and Electric Company is liable for the payment of the railway company's bonds because of a contract of guaranty executed by Monterey County Gas and Electric Company, whose properties have been acquired by Coast Valleys Gas and Electric Company. Counsel for applicant, on the other hand, maintains that Coast Valleys Gas and Electric Company is not liable under the guaranty; that it purchased the properties free and clear of all encumbrances; that it paid full consideration therefor; that it never recognized any indebtedness under the guaranty, and that if any one other than Monterey County Gas and Electric Company is liable under the guaranty, it is one of the intermediaries who owned the properties subsequent to their sale by the Monterey County Gas and Electric Company and prior to their purchase by the Coast Valleys Gas and Electric Company. The pertinent facts surrounding the issue of bonds by Monterey and Pacific Grove Railway Company and their guaranty by Monterey County Gas and Electric Company were reviewed by the commission in Decision No. 2269, dated March 31, 1915, Application No. 1418 (Vol. 6, Opinions and Orders of the Railroad Commission of California, p. 474).

In Application No. 1418, Coast Valleys Gas and Electric Company sought permission to issue \$100,000.00 of bonds. The commission authorized the company to issue only \$10,000.00 of its bonds, basing such authority on the ground that the company should make some necessary extensions, the earnings from which would exceed the interest on the \$10,000.00 bonds, and thus place the company in a stronger financial position to meet any possible liability under the guaranty of the railway company bonds. Authority to issue \$90,000.00 of bonds was withheld. Quoting from Decision No. 2269, Application No. 1418:

"In view of the facts as herein developed, I believe that the Coast Valleys Company should not be authorized by this commission to increase its bonded indebtedness in any way that could be prejudicial to the rights which the holders of the outstanding bonds of Monterey and Pacific Grove Railway Company may have. If the parties in this matter can adjust their differences as to the responsibilities of the Coast Valleys Company for these bonds, either by friendly adjudication or through a recourse to the proper tribunal, the Coast Valleys Company may thereafter submit again to this commission its application for the issue of its securities. As this commission has been advised that an effort will be made to determine the issue of the liability either through general agreement or through recourse to the courts, I do not believe this commission

should at this time authorize the applicant to issue any more securities than would appear to be necessary at this time, or until the question of the liability has been determined."

It was intimated at the time Decision No. 2269 was rendered that the liability, if any, of the Coast Valleys Gas and Electric Company, because of the guaranty, would be determined at an early date. More than four years have elapsed and the matter is still unsettled. The Supreme Court of the state of California in a recent decision has held Monterey County Gas and Electric Company liable under the guaranty. No action has been brought against the Coast Valleys Gas and Electric Company, nor is there anything in the record to indicate when such action will be initiated. In the meantime, Coast Valleys Gas and Electric Company has incurred obligations and has used its surplus earnings to pay for improvements. The amount expended since the filing of Application No. 1418 is reported at \$148,325.77. This expenditure has been made possible to a large extent by Sierra and San Francisco Power Company not insisting upon the prompt payment of its bills for power, material and supplies. The testimony shows that Coast Valleys owes the Sierra and San Francisco \$95,941.02 and that the Sierra Company can not be expected to advance additional amounts to Coast Valleys until it is paid in part at least for power and materials furnished. Unless Coast Valleys is placed in a position whereby it can permanently refund some of its current indebtedness, representing expenditures on capital account, it is doubtful whether it can secure funds to pay for necessary extensions and improvements.

It is, of course, clear to all that the commission can not relieve the Coast Valleys from any liability under the guaranty executed by Monterey County Gas and Electric Company, if such liability exists. While in no way passing upon such liability, but even assuming that such liability does exist, I believe that this application should be granted. The records show that there are \$270,000.00 of Monterey and Pacific Grove Railway Company bonds outstanding. Of the \$270,000.00, Coast Valleys Gas and Electric Company owns \$72,000.00, leaving \$198,000.00 owned by the public. The \$270,000.00 of bonds constitute a lien on the properties of the railway, which properties no doubt have some value. The Coast Valleys, assuming that it is liable under the guaranty, would therefore at the most be liable only for the difference between the face value of the \$198,000.00 of bonds held by the public and the interest accrued thereon, and the amount realized from the sale of the Monterey and Pacific Grove Railway Company properties.

Adding to the rate base (\$1,239,746.36) used in Decision No. 4847, dated November 16, 1917, the cost of additions and betterments (\$77,921.71) make a total possible rate base of \$1,317,668.07. Against such possible rate base, the Coast Valleys has now \$900,000.00 of bonds

outstanding and asks permission to issue \$125,000.00 additional, making a total of \$1,025,000.00, an amount which is \$292,668.07 less than the rate base used in Decision No. 4847 plus the cost of additions and betterments since the date of that decision.

I am satisfied that any creditor of the railway company, who may establish a claim against the Coast Valleys, will more likely be able to collect such claim if Coast Valleys is given a reasonable opportunity to take on new business, continue its growth and keep on functioning. The issue of the \$125,000.00 of bonds applied for will enable it to pay floating debt, which payment should make it possible for the Coast Valleys to secure new funds to pay for necessary additions and betterments.

There is nothing in the record to show that applicant intends to disburse any of its surplus in the form of dividends. No consideration should be given to the payment of dividends by applicant. Any and all surplus earnings should be invested in property and the order herein will contain a condition to that effect.

I herewith submit the following form of order.

ORDER.

Coast Valleys Gas and Electric Company having applied to the Railroad Commission for authority to issue \$125,000.00 face value of its first mortgage 6 per cent bonds due March 1, 1952, a public hearing having been held and the commission being of the opinion that the money, property or labor to be paid for by such issue is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Coast Valleys Gas and Electric Company be and it is hereby granted authority to issue \$125,000.00 face value of its first mortgage 6 per cent bonds due March 1, 1952, for the following purposes and upon the following conditions:

(1) The bonds herein authorized to be issued shall be sold by applicant for not less than 85 per cent of their face value plus accrued interest.

(2) The proceeds obtained from the sale of the bonds shall be used by applicant for the purpose of reimbursing its treasury because of earnings expended on capital account, and after such reimbursement, \$90,000.00 or so much thereof as may be necessary may be used to pay indebtedness due Sierra and San Francisco Power Company, and the remainder of the proceeds must be used to pay for extensions, additions and betterments as may hereafter be authorized by the Railroad Commission in a supplemental order.

(3) By issuing any of the bonds herein authorized, Coast Valleys Gas and Electric Company agrees that it will not disburse any of its

surplus earnings in the form of dividends until such time as its alleged liability under the guaranty executed by Monterey County Gas and Electric Company shall have been determined and discharged, it being understood that all surplus earnings will in the meantime be invested in property, unless otherwise authorized by the Railroad Commission.

(4) Coast Valleys Gas and Electric Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds from the sale of the bonds herein authorized to be issued, and on or before the twenty-fifth day of each month, until all of said bonds have been issued and the proceeds expended, the company shall make verified reports to the Railroad Commission stating the sale or sales of said bonds during the preceding months, the terms and the conditions of the sale, the amounts realized therefrom and the use and application of such moneys, all in accordance with the commission's General Order No. 24, which order in so far as applicable is made a part of this order.

(5) The authority herein granted shall not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

(6) The authority herein granted shall apply only to such bonds as shall have been issued on or before December 15, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twelfth day of May, 1919.

DECISION No. 6325.

L. E. HANCHETT

vs.

KATHERINE C. HENDERSON.

Case No. 1267.

Decided May 12, 1919.

WATER SERVICE—IMPROVEMENT OF.—Defendant directed to improve her water service through the operation of pumps for a longer period of time during the summer season and the construction and operation of a 12,000-gallon tank thirty feet higher than the present reservoir high water mark.

Corbett & Selby and Chas. B. Younger, for Complainants.

Walter H. Linforth, for Defendant.

BY THE COMMISSION.

OPINION.

Complainant, a resident of Capitola, near Santa Cruz, and a consumer upon defendant's system, complains of an inadequate supply of water and poor pressure and prays that defendant be required to install an

adequate and sufficient water system. The answer denies all the material allegations of the complaint.

A public hearing was held before Examiner Westover at Santa Cruz, at which testimony was offered on behalf of both parties.

Defendant's system has for many years supplied domestic water to the inhabitants of Soquel and Capitola, near Santa Cruz. Its water supply is diverted from Bates Creek and conveyed by gravity about 6,800 feet to a junction point and about 150 feet beyond to Soquel reservoir, which is used to store excess water and as a settling base during the rainy season; and about 6,000 feet beyond the junction point to Capitola storage reservoir. There is also a second dam not now used which would divert water at a point about 22 feet higher than the present point of diversion and only about 500 feet from it. Its use would require the elevation of the two reservoirs.

Capitola has a large summer colony during July, August and September. During that part of the year the gravity supply becomes exhausted and water must be pumped from a four-inch artesian well 135 feet deep. The present pumping equipment has a capacity of 2,000 gallons an hour. Water is delivered from it into Capitola reservoir. The system supplies 206 services of which only 17 are metered; about 147 serve permanent residences and 59 serve temporary consumers during periods from a few weeks to a few months. In addition, during the summer defendant serves about 100 cottages and concessions belonging to her. From the testimony it appears that the only complaints of poor pressure are from the so-called hill section which will be next referred to.

Complainant's dwelling and grounds, which are extensive, are located on a hill at an elevation of about 60 feet above that of the remainder of Capitola. On the hill are about 60 consumers, only 11 of whom are permanent. The highest point served on the system is about 12 feet lower than the top of the Capitola reservoir and 14 feet lower than the top of Soquel reservoir. Owing to poor pressure complainant installed a pump and tank on a tower and pumps directly out of the main. This practice tends to still further reduce pressure in services on the hill. With the improvement in defendant's system for which provision is made in the order, it will probably be unnecessary for complainant to operate his pumping plant. If he wishes to do so, however, he should pump from a cistern or sump and not directly from the mains. In any event his service connection should be reduced from a 2½-inch to a 1-inch connection.

Mr. Wm. Stava, one of the commission's assistant hydraulic engineers, made an inspection of defendant's system and has submitted his report pursuant to a stipulation that it might be received as an exhibit in the case. Neither of the parties submitted any engineering testimony,

but defendant requested technical advice as to the best method of improving the service and operating the system. Mr. Stava in his report discusses three means of improving service: Developing more water by wells or installing meters on all consumers, or installing a pumping plant at Capitola reservoir to lift water into a tank and operate the hill section of the system independently. He recommends the latter course as the only one which will necessarily meet the pressure requirements of consumers on the hill.

The testimony shows that defendant's pumping plant when in use is operated not to exceed twelve hours a day. Operated to capacity for twelve hours a day does not produce sufficient water to adequately serve all consumers during the season of largest use. As the pump is operated by electric energy it appears that the hours of pumping during the height of the season could be greatly increased at relatively small outlay for labor when compared with the cost of installing additional pumping equipment.

Considerable complaint was made at the hearing of the leaky condition of the transmission mains and of the fact that Soquel reservoir was damaged by earthquake some years ago and has not been adequately repaired. It appears, however, from Mr. Stava's inspection and report, that the transmission mains will probably give adequate service for a number of years with ordinary repairs. While the means adopted for repairing the leaky reservoir has not proven entirely successful, this apparently does not seriously affect the service complained of, particularly as there is no complaint of shortage of water except during part of the summer.

ORDER.

A public hearing having been held in the above-entitled case, the matter having been submitted and being now ready for decision,

It is hereby ordered that defendant deliver a sufficient amount of water to adequately serve all of her consumers at all times by operating her pumping plant longer hours during the summer season or by other adequate means; that she reduce the size of complainant's 2½-inch service connection to a 1-inch service connection; and that within sixty days from date hereof she install tank of at least 12,000-gallon capacity placed on a tower at least 30 feet higher than the high water mark in Capitola reservoir, together with a small pump to pump water from the reservoir into the tank and that during said period she install meters on the services of her larger consumers.

It is hereby further ordered that within twenty days from date complainant formulate and submit to the commission a proposed rule to be effective after approval by it, providing that consumers may not pump water out of the mains of defendant's system.

Dated at San Francisco, California, this twelfth day of May, 1919.

DECISION No. 6330.

IN THE MATTER OF THE APPLICATION OF OJAI POWER COMPANY
FOR AN ORDER AUTHORIZING IT TO INCREASE RATES FOR
WATER SOLD AND DELIVERED.

Application No. 3950.

Decided May 14, 1919.

Earl E. Moss, for Applicant.

W. E. Sheperd, for Protestants.

BY THE COMMISSION.

OPINION.

The applicant herein, engaged in the business of selling water for domestic and irrigation purposes to residents of the town of Ojai, formerly Nordhoff, and vicinity, asks permission to increase rates.

A public hearing in the matter was held at Ojai, February 5, 1919.

The application alleges in effect that, since service to consumers was commenced on January 1, 1913, the average annual losses from operation have been \$809.66; that there have been material increases in the cost of labor and supplies; and that additional investment is required for meter installations and for improvements to the system.

The rates now in effect and those asked for are as follows:

	Rates now in effect	Rates asked for
Minimum flat rate per month.....	\$1 50	\$2 00
Minimum metered rate per month, entitling consumers to 6,000 gallons, or 800 cubic feet.....	1 50	2 00
Metered rates for quantities in excess of 6,000 gallons, or 800 cubic feet, per 100 cubic feet.....	18¢	20

About 43 per cent of the services are metered.

Applicant claims a return upon an estimated value of the present system amounting to \$19,082.46 and upon an additional \$2,000.00 which is claimed will be invested for meters and necessary improvements to the plant. The actual cost of the system to January 1, 1918, is shown by applicant to be \$12,707.06. The estimated cost to reproduce the property, as determined by the commission's engineers, is \$15,170.00. On May 23, 1913, the applicant herein asked permission of the commission to purchase this water system, and the application contained the following statement:

"Said enterprise, both as to the production and distribution of light and as to the production and distribution of water, is not

undertaken with the view of making a revenue producing and commercially successful corporation, so much as for the purpose, as stated, of mutually supplying said stockholders and their community with needed public convenience."

Testimony also showed that the territory served is widely scattered and is still in its development stage.

Applicant submitted the following statement of estimated annual charges and revenue required to support the property:

Operating expenses per year.....	\$3,120 00
Depreciation	742 00
Eight per cent interest on \$19,082.00.....	1,527 00
Taxes, interest and depreciation on additional investment for meters, service, etc., of \$2,000.00.....	200 00
Total necessary charges and revenue required.....	\$5,649 00

It is apparent from the investigation by the commission's engineers that the foregoing estimate of necessary charges and revenue should be reduced and the following statement shows reasonable annual charges based upon a return on the entire estimated reproduction cost plus the cost of contemplated improvements:

Interest at 8 per cent on \$17,170.00.....	\$1,374 00
Depreciation annuity on 6 per cent sinking fund basis.....	350 00
Maintenance and operating expense based upon actual costs in 1918.....	2,900 00
Total	\$4,624 00

Revenues for the year 1918 amounted to \$3,293.00.

The schedule of rates set out in the accompanying order will yield sufficient revenue to cover maintenance and operating expense, depreciation annuity, and an equitable return upon the investment in view of its avowed purpose of organization and its operations since that time.

Testimony indicates that service to some consumers was inadequate, but it is probable that the contemplated improvements, especially the metering of the system, will remove the cause for complaint.

ORDER.

Ojai Power Company having filed application in the above-entitled proceeding, a public hearing having been held thereon, and being fully informed in the matter,

It is hereby found as a fact that the rates now charged by Ojai Power Company for water delivered to residents of the town of Ojai and vicinity are unjust and unreasonable in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates to be charged for such service.

Basing its order upon the foregoing finding of fact and upon the findings contained in the opinion which precedes this order,

It is hereby ordered that Ojai Power Company be and the same is hereby authorized and directed to file with the Railroad Commission within twenty days from the date of this order, and thereafter charge the following rates for water delivered to residents of Ojai and vicinity:

Metered rates.

RATE SCHEDULE.

Monthly minimum for $\frac{1}{2}$ -inch meters-----	\$1 00
Monthly minimum for $\frac{3}{4}$ -inch meters-----	1 50
Monthly minimum for 1 -inch meters-----	2 00
Monthly minimum for $1\frac{1}{2}$ -inch meters-----	3 00
Monthly minimum for 2 -inch meters-----	4 00
Monthly minimum for 3 -inch meters-----	5 00
Monthly minimum for 4 -inch meters and larger-----	6 00
From 0 to 1,000 cubic feet, per 100 cubic feet-----	0 25
Over 1,000 cubic feet, per 100 cubic feet-----	0 20

Flat rates.

The present flat rates are to remain in full force and effect for all unmetered services.

It is hereby further ordered that Ojai Power Company furnish an adequate supply of water to all consumers.

Dated at San Francisco, California, this fourteenth day of May, 1919.

 DECISION No. 6331.

IN THE MATTER OF THE APPLICATION OF PLAZA STAGES, INC., FOR
CONSENT TO THE TRANSFER OF PERMIT HERETOFORE ISSUED
TO PLAZA STAGES, A COPARTNERSHIP.

 Application No. 4525.

Decided May 14, 1919.

AUTO TRANSPORTATION—LEASING EQUIPMENT.—The Railroad Commission will not permit an association leasing equipment or employing drivers at compensation on a percentage basis dependent on gross receipts per trip.

CERTIFICATE—OPERATION UNDER—PERCENTAGE BASIS.—The transfer of a certificate to a corporation will not be permitted when it is shown that such corporation does not propose to operate cars of its own, but intends to permit others to operate under its certificate on a percentage basis. Application to transfer certificate and local permits denied.

J. M. Chatterton, for Applicant.

H. J. Bischoff, for United Stages, Inc.

BY THE COMMISSION.

ORDER.

Plaza Stages, Inc., a corporation, have applied to the commission for consent to the change of ownership of the certificate heretofore granted to Plaza Stages, a copartnership, consisting of R. S. Anthony and J. S.

Bothwell, this commission having under its Decisions Nos. 4896 and 4953 granted a certificate of public convenience and necessity and local permits, as required by section 3 of chapter 213, laws of 1917, having been granted to said Plaza Stages, a copartnership, as required by such statutory enactment.

A public hearing on this application was conducted by Examiner Handford at San Diego on April 29, 1919, the matter was duly submitted and is now ready for decision.

The copartnership above named has assigned and transferred all of its rights, privileges, franchises and permits to the applicant herein, subject, however, to the approval of this commission, although no consent to the grant of a transfer of permits heretofore issued by the local governing bodies has as yet been secured.

At the hearing on this application the attorney for applicant submitted the matter and stipulated that the by-laws of the Plaza Stages, Inc., would be forwarded to the commission and should be considered as evidence in this proceeding.

Plaza Stages, Inc., is an incorporated business association formed under the provisions of 653 B and succeeding sections of the Civil Code of the state of California.

Article XVI of the by-laws contains the following clause:

"Membership fees are \$50.00 for each member. Dues are \$1.00 per day for each machine driven in the service of the company and said amount will be deducted from the aggregate of money received from tickets from passengers on the member's car or cars."

Article XIX of the by-laws reads as follows:

"The business of this association for which it is formed is the operation of stage lines, and each member who desires to retain his membership must hold his car or cars subject to the orders of the manager or person in charge of the said business, and as a part of his membership agrees to run such car or cars exclusively in said business of the association and under its direction."

The commission is of the opinion that the applicant herein does not propose to operate a stage line in accordance with the provisions of chapter 213, laws of 1917, nor the subsequent regulations of this commission.

The decision of this commission in Case No. 1202 (Decision No. 5318, decided April 17, 1918) ordered all transportation companies, as defined in chapter 213, laws of 1917, to either own their equipment (proprietary control being deemed ownership) or to lease such equipment for a specified amount on a trip or term basis and that the leasing of equipment should not include the services of a driver or operator. The practice of leasing equipment or employing drivers or operators on the basis of compensation on a percentage basis and dependent on the gross receipts per trip or for any period of time was also prohibited in such case. Applicant not only does not propose to own any cars or to lease

same under the provisions of the commission's decision heretofore referred to, but the proposed scheme of operation, as defined by the by-laws of applicant as hereinabove quoted, indicates that applicant intends to charge each operator or member of the association an amount each day for the privilege of operating under the jurisdiction of the applicant.

We are of the opinion that this is not in the interest of public policy nor a form of operation which should receive the approval of the commission.

It is hereby ordered that this application be and the same hereby is denied.

Dated at San Francisco, California, this fourteenth day of May, 1919.

DECISION No. 6332.

IN THE MATTER OF THE APPLICATION OF THE NORTHERN CALIFORNIA POWER COMPANY, CONSOLIDATED, FOR AUTHORITY TO ISSUE ITS PROMISSORY NOTE FOR TWENTY THOUSAND DOLLARS TO ALBERT F. SMITH AND VIRGINIA O. SMITH, PAYABLE WITHIN THREE YEARS AFTER ITS DATE.

Application No. 4498.

IN THE MATTER OF THE APPLICATION OF THE NORTHERN CALIFORNIA POWER COMPANY, CONSOLIDATED, FOR AUTHORITY TO ISSUE ITS PROMISSORY NOTE FOR ONE HUNDRED TEN THOUSAND DOLLARS TO CALIFORNIA-OREGON POWER COMPANY, PAYABLE ON OR BEFORE OCTOBER 23, 1923.

Application No. 4536.

IN THE MATTER OF THE APPLICATION OF THE NORTHERN CALIFORNIA POWER COMPANY, CONSOLIDATED, FOR AUTHORITY TO ISSUE ITS PROMISSORY NOTE FOR ONE THOUSAND NINE HUNDRED DOLLARS TO J. W. PHILLIPS, OR ORDER, PAYABLE WITHIN THREE YEARS AFTER DATE.

Application No. 4537.

IN THE MATTER OF THE APPLICATION OF THE NORTHERN CALIFORNIA POWER COMPANY, CONSOLIDATED, FOR AUTHORITY TO ISSUE ITS PROMISSORY NOTE FOR TWO THOUSAND DOLLARS TO FRANCIS M. HACKLER, PAYABLE WITHIN THREE YEARS AFTER DATE.

Application No. 4538.

Decided May 14, 1919.

Harry Corrin, for Applicants.

EDGERTON, *Commissioner*.

OPINION.

The above-entitled applications were consolidated for hearing and decision.

Northern California Power Company, Consolidated, asks permission to issue:

1. To California-Oregon Power Company its 6 per cent \$110,000.00 note, payable on or before October 23, 1922.

2. To Albert F. Smith and Virginia O. Smith its 6 per cent \$20,000.00 three-year note.

3. To John W. Phillips and Mrs. Josephine Phillips its 6 per cent \$1,900.00 note, payable on or before December 27, 1921.

4. To Francis M. Hackler its 6 per cent \$2,000.00 note, payable on or before December 27, 1921.

The \$110,000.00 note to be issued to California-Oregon Power Company represents funds borrowed to pay for the extensions necessary to connect applicant's system with that of California-Oregon Power Company. Notes two, three and four represent indebtedness incurred or to be incurred to acquire lands and water rights. The authority herein granted to issue notes should not be interpreted as a finding of value of said lands and water rights for rate fixing or condemnation purposes.

I herewith submit the following form of order:

ORDER.

Northern California Power Company, Consolidated, having applied to the Railroad Commission for permission to issue notes, a public hearing having been held, and the Railroad Commission being of the opinion that these applications should be granted,

It is hereby ordered that Northern California Power Company, Consolidated, be and it is hereby granted authority to issue:

1. To California-Oregon Power Company its 6 per cent \$110,000.00 note, payable on or before October 23, 1922, for the purposes set forth in Application No. 4536.

2. To Albert F. Smith and Virginia O. Smith its 6 per cent \$20,000.00 note, payable on or before three years after date, for the purpose of acquiring the properties described in Application No. 4498.

3. To John W. Phillips and Mrs. Josephine Phillips its 6 per cent \$1,900.00 note, payable on or before December 27, 1921, for the purpose of acquiring the properties described in Application No. 4537.

4. To Francis M. Hackler its 6 per cent \$2,000.00 note, payable on or before December 27, 1921, for the purpose of acquiring the properties described in Application No. 4538.

The authority herein granted is upon the following conditions and not otherwise:

(a) Northern California Power Company, Consolidated, shall keep such record of the issue of the notes herein authorized as will enable it to file on or before the twenty-fifth day of each month a verified report

as required by the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(b) The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

(c) The authority herein granted shall apply only to such notes as may be issued on or before October 31, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this fourteenth day of May, 1919.

DECISION No. 6334.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES GAS AND ELECTRIC CORPORATION FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF BONDS IN THE AMOUNT OF TWO HUNDRED AND FIFTY THOUSAND DOLLARS.

Application No. 4551.

Decided May 14, 1919.

Applicant authorized to issue \$250,000.00 face value of its general and refunding mortgage bonds to be sold at not less than 90, proceeds to reimburse treasury covering expenditures from surplus for permanent additions and betterments to plant.

Paul Overton and S. W. Guthrie, for Applicant.

EDGERTON, Commissioner.

OPINION.

Los Angeles Gas and Electric Corporation asks permission to issue at not less than 90 per cent of their face value plus accrued interest \$250,000.00 of its first and refunding mortgage 5 per cent gold bonds due September 1, 1939.

In Exhibit "C," attached to the petition herein, applicant reports that from December 1, 1915, to December 31, 1916, it has expended for improvements, additions and betterments to its plant and system the sum of \$648,583.87. To pay for these improvements, it has drawn upon its depreciation reserve to the extent of \$315,250.54, leaving a balance of \$333,333.33 to be paid from surplus earnings. Under the provisions of its mortgage, applicant may issue bonds to an amount or amounts in par value not exceeding in the aggregate 75 per cent of the actual and reasonable cash expenditures made for permanent extensions and addi-

tions of and to its plants, properties and equipment. For the purpose of reimbursing in part its treasury, applicant asks permission to issue \$250,000.00 of bonds.

I herewith submit the following form of order:

ORDER.

Los Angeles Gas and Electric Corporation having applied to the Railroad Commission for permission to issue \$250,000.00 of bonds, a public hearing having been held and the commission being of the opinion that the moneys, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Los Angeles Gas and Electric Corporation be and it is hereby granted authority to issue and sell on or before October 1, 1919, at not less than 90 per cent of their face value plus accrued interest, \$250,000.00 of its first and refunding mortgage 5 per cent gold bonds due September 1, 1939, for the purpose of reimbursing its treasury because of surplus earnings expended to pay for permanent extensions and additions of and to its plants, properties and equipment, provided that the authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act; and provided, further, that applicant keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this fourteenth day of May, 1919.

DECISION No. 6335.

WILLIAM FARR AND G. ROY FARR

vs.

SOUTHERN PACIFIC COMPANY.

Case No. 1248.

Decided May 14, 1919.

JURISDICTION—LONG AND SHORT HAUL CLAUSE—INTERSTATE RATES.—The Railroad Commission has no jurisdiction to entertain a complaint demanding reparation on shipments made between two points in California when such complaint is based on the long and short haul clause prohibiting the charging of a greater rate for a shorter than for a longer haul, when the comparative rate for the longer haul is an interstate rate. Complaint dismissed.

LOVELAND, *Commissioner*.**OPINION.**

Complainants allege that defendant has overcharged them on thirty carloads of feeder cattle shipped to Brawley, California, some from Porterville, California, and others from Coalinga, California, and complainants ask for reparation. The basis of the complaint is that the rate from Porterville and Coalinga to Brawley, California, is greater than the rate to a more distant point, namely, Yuma, Arizona, and it is claimed that the local California rate is in violation of section 21, Article XII of the constitution of California, providing that—

“It shall be unlawful for any railroad or other transportation company to charge or receive any greater compensation in the aggregate for the transportation of passengers or of like kind of property for a shorter than for a longer distance over the same line or route in the same direction, the shorter being included within the longer distance.”

The answer of the defendant claims that the commission does not have jurisdiction to grant the relief requested for the reason, among others, that the above quoted long and short haul provision of the constitution contemplates that the rate for the shorter distance and the rate for the longer distance must each be an intrastate rate, and that a comparison can not be made between a state rate and an interstate rate for a longer haul.

This very question has already been passed upon by the Supreme Court of the United States in *Louisville & Nashville Railroad Co. vs. Eubank*, 184 U. S. 27. That case involved the applicability of the long and short haul provision of the constitution of Kentucky to a comparison between an intrastate rate between points within Kentucky and a rate for a longer distance from a point of origin in Tennessee. The Supreme

Court held that the constitution of Kentucky could apply only to intrastate rates, and that an unconstitutional interference with interstate commerce resulted from applying the long and short haul provision of the state constitution to a comparison between an intrastate rate and an interstate rate from a more distant point.

Under the authority of this decision I am satisfied that the Railroad Commission has no jurisdiction to grant the relief prayed, and that the complaint must, accordingly, be dismissed.

ORDER.

For the reasons hereinbefore given,

It is hereby ordered that the complaint herein be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this fourteenth day of May, 1919.

DECISION No. 6337.

IN THE MATTER OF THE APPLICATION OF NAPA CITY WATER COMPANY FOR PERMISSION TO SELL FIVE THOUSAND DOLLARS TREASURY BONDS.

Application No. 4533.

Decided May 11, 1919.

Applicant authorized to issue \$5,000.00 of its 5 per cent bonds at not less than par, proceeds thereof to be used for the purpose of purchasing and installing meters.

L. E. Johnston, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

Napa City Water Company asks permission to issue \$5,000.00 of its 5 per cent first mortgage bonds due January 1, 1930. Applicant intends to sell the bonds at par and use the proceeds to pay for meters necessary to complete the metering of its water system.

In Decision No. 6184, dated March 12, 1919, the Railroad Commission found that applicant's water system had meters on about 80 per cent of all services. The commission suggested that applicant meter its entire system. It is for the purpose of carrying out the commission's suggestion that applicant asks permission to issue the \$5,000.00 of bonds.

On December 31, 1918, applicant reported assets and liabilities as follows:

<i>Assets.</i>	
Fixed capital.....	\$327,601 50
Cash and deposits.....	2,478 60
Unamortized discount on stock.....	2,671 30
Unamortized discount on bonds.....	1,450 00
Total assets.....	\$334,201 40
<i>Liabilities.</i>	
Capital stock outstanding.....	\$221,300 00
Bonds outstanding.....	74,000 00
Notes payable.....	900 00
Corporate surplus unappropriated.....	38,001 40
Total liabilities.....	\$334,201 40

The \$5,000.00 of bonds which applicant now intends to issue will raise its bonded indebtedness to \$79,000.00. In Decision No. 6184 the commission allowed a 6 per cent return on an investment of \$310,000.00. Applicant should encounter no difficulty whatsoever in paying interest on \$79,000.00 of bonds.

I herewith submit the following form of order:

ORDER.

Napa City Water Company having applied to the Railroad Commission for permission to issue \$5,000.00 of bonds, a public hearing having been held and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Napa City Water Company be and it is hereby granted authority to issue and sell at not less than par, \$5,000.00 of its 5 per cent first mortgage bonds due January 1, 1930, for the following purposes and upon the following conditions:

(1) The proceeds obtained from the sale of the bonds shall be used for the purposes of paying in whole or in part for the meters and their installation referred to in the petition herein.

(2) Napa City Water Company shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(3) The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

(4) The authority herein granted shall apply only to such bonds as may be issued on or before December 15, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this fourteenth day of May, 1919.

DECISION NO. 6338.

IN THE MATTER OF THE APPLICATION OF DEL MONTE LIGHT AND POWER COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING IT TO ISSUE TWO HUNDRED AND FIFTY SHARES OF ITS CAPITAL STOCK AND TO PURCHASE THEREFOR THE LIGHT AND POWER BUSINESS OF THE PACIFIC IMPROVEMENT COMPANY IN THE COUNTY OF MONTEREY, STATE OF CALIFORNIA.

Application No. 4520.

Decided May 11, 1919.

Pacific Company authorized to transfer its electric distributing properties to the Del Monte Company and the latter to issue \$25,000.00 par value of its stock in exchange therefor.

Earl H. Pier, for Applicants.

EDGERTON, *Commissioner*.

OPINION.

Del Monte Light and Power Company asks permission to issue \$25,000.00 par value of its common capital stock for the purpose of purchasing an electrical transmission line and distribution system from the Pacific Improvement Company. The Pacific Improvement Company joins in the application.

A description of the property which the Pacific Improvement Company intends to sell to the Del Monte Light and Power Company was filed with the commission on May 10 and is found in Exhibit "1" attached hereto.

The properties covered by this application have been appraised for applicants by J. A. Wilcox. In Exhibit "1" applicants report the value of the transmission line and distribution system at \$26,920.67. This figure includes no allowance for rights of way, lands or easements. The engineering department of the commission has checked the appraisal and finds the same to be reasonable.

The testimony shows that the primary purpose of this application is to effect a segregation of the public utility and nonpublic utility properties of the Pacific Improvement Company. All of the stock, except shares necessary to qualify directors, of Del Monte Light and Power Company, will be acquired by the Pacific Improvement Company and subsequently, together with all of its other properties in Monterey County, transferred to the Del Monte Properties Company.

I herewith submit the following form of order:

ORDER.

Del Monte Light and Power Company having applied to the Railroad Commission for permission to issue \$25,000.00 of stock to acquire the properties of the Pacific Improvement Company, described in Exhibit "1" attached hereto, Pacific Improvement Company having joined in the application, a public hearing having been held, and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Pacific Improvement Company be and it is hereby authorized to sell the properties described in Exhibit "1" attached hereto, to Del Monte Light and Power Company.

It is hereby further ordered that Del Monte Light and Power Company be and it is hereby granted authority to issue at not less than par, \$25,000.00 par value of its common capital stock for the purpose of acquiring the properties of Pacific Improvement Company, described in Exhibit "1" attached hereto.

The authority herein granted is upon the following conditions and not otherwise:

1. The consideration at which the public utility properties are herein authorized to be transferred shall not be considered as a measure of value of said properties before this commission or any other public body for rate-fixing or any other purposes.

2. Del Monte Light and Power Company shall file with the Railroad Commission for approval its book entries relative to the purchase of the properties and the issue of its stock.

3. Within thirty days after the execution by the petitioners herein of an instrument of conveyance transferring the properties herein referred to, a certified copy of said instrument of conveyance shall be filed with the Railroad Commission by the Del Monte Light and Power Company.

4. Del Monte Light and Power Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted shall apply only to such property as may be transferred and to such stock as may be issued on or before October 15, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this fourteenth day of May, 1919.

EXHIBIT "1."

In an Agreement of Sale filed with the Railroad Commission on May 10, 1919, Pacific Improvement Company and Del Monte Light and Power Company described the properties referred to in this application as follows:

"Those certain electric light and power transmission and distribution lines in the said County of Monterey, beginning at a station "O—OO" being a point lying on the westerly line of the Hotel Del Monte grounds, in said County of Monterey, State of California, and near the northerly line of the Southern Pacific Railroad Company's right-of-way; and running thence westerly and northwesterly over the private right-of-way of the Southern Pacific Railroad Company through the City of Monterey; and thence westerly, across the United States Military Reservation, and again northwesterly over Terry Street through New Monterey to the northwesterly boundary of New Monterey; thence westerly into, through and across the property now owned by the Del Monte Properties Company, and known as Del Monte Forest; and running thence westerly through Del Monte Forest to Del Monte Forest Lodge, formerly known as Pebble Beach Lodge; *together* with all branch lines for service to Asilomar, and to Monterey County Water Works, a corporation, to the Library and Gymnasium in the City of Pacific Grove, to Sawmill and to Ocean View Cottage, to Newcome Place and Macomber Place, to Pebble Beach Lodge, and all other branch lines for service to parties living within the boundaries of Del Monte Forest; also all franchises, rights-of-way, poles, lines, transformers and all other electrical equipment and appliances that are now used in the operation of said transmission and distribution lines for distributing electric light and power in Del Monte Forest, and to present customers and patrons of the said grantor, of electric light and power now or hereafter to be served from said transmission and distribution lines; **ALSO** the business and good will of the Pacific Improvement Company in carrying on and conducting said business of selling, transmitting and distributing electric light and power in said County of Monterey.

Together with all and singular the tenements, hereditaments and appurtenances thereof, and the remainder and remainders, reversion and reversions, rents, issues and profits thereof."

DECISION No. 6339.

IN THE MATTER OF THE APPLICATION OF BARSTOW UTILITY COMPANY, A CORPORATION, TO CONVEY PROPERTY TO IMPERIAL UTILITIES CORPORATION AND OF THE LATTER CORPORATION TO ISSUE STOCK AND BONDS IN PAYMENT THEREFOR.

Application No. 3892.

Decided May 14, 1919.

Imperial company granted permission to acquire water properties in the city of Barstow and authorized to issue \$10,000.00 par value of stock and \$34,500.00 face value of its bonds in payment therefor.

Henry M. Hoyt, for Imperial Utilities Corporation.

C. E. Williams, in *propria persona*.

E. W. Camp, by *W. M. Reed*, for The Atchison, Topeka and Santa Fe Railway Company.

BY THE COMMISSION.

OPINION.

Imperial Utilities Corporation by its application seeks authority to issue \$10,000.00 par value of its capital stock and \$34,000.00 face value of its first mortgage 6 per cent 25-year gold bonds, being the purchase price of an ice plant owned by Barstow Utility Company, and a proposed contract between the latter company and The Atchison, Topeka and Santa Fe Railway Company under which the Imperial Utilities Corporation as assignee thereof would acquire the Santa Fe Railway Company's water plant serving water in Barstow, San Bernardino County.

A public hearing was held by Examiner Westover upon the application in Los Angeles on August 15 last, at which evidence then presented was taken and arrangement made to have the Santa Fe company as seller join in the application. Its application herein has now been filed, from which it appears that the contract has been executed as of July 1, 1918. At the hearing Mr. C. E. Williams appeared and sought to have his water system at Barstow included in the transaction. It was arranged that he would also file application, which has more recently been done. Proforma order relating to the Williams system can be made without further hearing.

The water plant here in question is owned and operated by The Atchison, Topeka and Santa Fe Railway Company. It was installed for the purpose of providing water for railroad use and incidentally for serving domestic water to its employees. Other consumers have subsequently been added until the plant now has 250 service connections. Its contract with the Barstow company provides for the construction

of wells, a 250,000-gallon reservoir of reinforced concrete or steel, the installation of two pumps with a capacity of 500 and 250 gallons per minute, respectively, a six-inch transmission main to the reservoir and other improvements. A rough estimate of the cost of these improvements supplied since the hearing is \$11,435.00. The cost new of the water plant as shown by the application was \$9,813.08, from which 40 per cent has been deducted for ten years' average depreciation on the distributing system, leaving the present depreciated cost as \$7,697.87. The cost to the Barstow company is stated to be \$3,225.00, payable in water bills. The Santa Fe company agrees to buy water for a term of fifteen years and to pay for a minimum use of six million gallons per month, and if it should subsequently demand in excess of twenty million gallons per month, then to pay on a minimum use proportionately larger than six million gallons per month. The monthly contract rates per thousand gallons are 6½ cents up to ten million gallons, 5½ cents for use from ten million to fifteen million gallons and five cents for use exceeding fifteen million gallons. These rates are made subject at all times to the lawful orders of the commission or other regulatory body having jurisdiction. The Santa Fe company also agrees to assign its contract with Southern Sierra Power Company under which it purchases electric energy for its present pumping plant at Barstow.

The appraisal of the property of the Barstow company, filed with the application as Exhibit "A" shows a present depreciated value of \$47,923.50 for the ice plant, buildings, icing platform, land, certain building stock, accounts receivable, cash on hand, ice on hand, tools, materials and supplies, organization expense and the said Santa Fe contract for water plant.

The principal reason advanced by the Imperial Utilities Corporation at the hearing for desiring to acquire the ice plant, aside from the opportunity to earn a profit from the ice business, is the opportunity which apparently exists for more economical operation of the water plant in connection with the ice plant and with other water plants operated by it at Monterey Park, near Los Angeles, at Niland and Calipatria in the Imperial Valley, and by Goldfield Consolidated Water Company at Goldfield, Nevada, a plant which is owned and controlled by allied interests.

The present contract for acquiring the ice plant and Santa Fe contract provides as to the \$34,500.00 of bonds to be issued as part payment; that the Imperial Utilities Corporation will buy back each year \$2,500.00 par value of its bonds until the \$34,500.00 in bonds have been purchased and paid for. The net result is a proposed ultimate sale of the property for \$10,000.00 in stock and \$34,500.00 cash in annual payment of \$2,500.00 each.

The present rates discriminate in favor of domestic consumers who are employees of the railroad. Applicant contemplates establishing rates which will eliminate this discrimination. It also expects to install meters and establish metered rates.

The commission's engineers have made no separate valuation of the properties involved, but have checked the appraisal presented by applicant's engineers and found them reasonable.

Under all of the circumstances, the application may properly be granted.

ORDER.

Imperial Utilities Corporation having applied to the Railroad Commission for authority to issue stock and bonds and Barstow Utility Company having applied for authority to transfer an ice plant, and The Atchison, Topeka and Santa Fe Railway Company having applied for authority to transfer a water plant, public hearing upon said application having been held, and the commission being now fully advised and the matter being ready for decision,

It is hereby ordered that Imperial Utilities Corporation be and it is hereby authorized to issue 100 shares of its capital stock of the par value of \$100.00 per share and \$34,500.00 face value of its first mortgage 6 per cent 25-year gold bonds, to be known as Series "C," to Barstow Utility Company in full payment for and upon acquiring title to the ice plant owned by said Barstow Utility Company and the water plant operated by The Atchison, Topeka and Santa Fe Railway Company, both of said plants being located at Barstow, San Bernardino County, and more particularly described in Exhibit "A" attached to the application of Barstow Utility Company and the Imperial Utilities Corporation, and including lands described in Schedule "A" attached hereto.

It is hereby further ordered that The Atchison, Topeka and Santa Fe Railway Company be and it is hereby authorized and empowered to convey or cause to be conveyed to Imperial Utilities Corporation the water plant now operated by it at Barstow, California, more particularly described in Exhibit "A" attached to the application herein of Barstow Utility Company and Imperial Utilities Corporation, including 0.4591 acres for reservoir site described in Schedule "A" attached hereto.

It is hereby further ordered that if the parties agree not to pass title to said reservoir site at this time, said Imperial Utilities Corporation shall deduct from the said consideration hereinabove described \$1,500.00 face value of its said bonds, and issue the remainder of said bonds and said stock upon acquiring title to the remainder of the property hereinabove referred to.

The authority herein contained is granted upon the following conditions:

1. This authority applies only to such transfers of title as may be made within ninety days from date hereof.

2. Within ten days after conveyances have been executed and delivered, Imperial Utilities Corporation shall file with the Railroad Commission verified copies of such conveyances as may be hereafter executed.

3. Nothing herein contained shall be construed by this commission or any court, tribunal or public body as a finding of the cost or value of any of said property to be transferred, for any purposes other than said transfers.

4. The authority herein granted shall not become effective until Imperial Utilities Corporation has filed with the Railroad Commission a stipulation duly authorized by its board of directors declaring that it, its successors and assigns will never claim before the Railroad Commission or other public body having jurisdiction to fix public utility rates any value for said ice plant or any part thereof used exclusively in the manufacture of ice as a rate base or value in any proceeding before the commission or other public body affecting the said public utility water plant; nor until a supplemental order has been made herein reciting that such stipulation satisfactory in form has been filed in this proceeding.

5. On or before the twenty-fifth day of any month during which Imperial Utilities Corporation may issue any stock or bonds herein authorized, it shall file with the Railroad Commission such statements as are required by the commission's General Order No. 24, which order in so far as applicable is hereby made a part of this order.

6. The authority herein granted shall not become effective until said applicant shall have paid the fee prescribed by the Public Utilities Act.

Dated at San Francisco, California, this fourteenth day of May, 1919.⁶

SCHEDULE "A."

Attached to decision upon Application No. 3892 of Imperial Utilities Corporation et al.

Lands Authorized To Be Transferred.

Proposed reservoir site containing 0.4591 acres between 2d and 3d Streets and south of Hutchinson Street in Barstow, California, more particularly described on blue print, Exhibit "B," attached to lease between Pacific Land Improvement Company and Barstow Utility Company, form of which lease is applicant's Exhibit 2 in Application No. 3892.

Also the following described property, situate, lying and being in County of San Bernardino, State of California, to-wit:

"All of that portion of the Northeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of Section Six (6) in Township Nine (9) North of Range One (1) West, San Bernardino Base and Meridian, described as follows, to-wit:

Beginning at a point North 78° 08' East three hundred and five (305) feet from the Southeast corner of the Curtis Lot in Barstow; thence North 78° 08'

East ninety-five (95) feet; thence North to the right of way of the Santa Fe Railroad Company; thence northwesterly along said right of way of the Santa Fe Railroad Company to a point due north of the point of beginning, thence south to the point of beginning.

Also all of that portion of the north $\frac{1}{2}$ of the northeast $\frac{1}{4}$ of said section 6, described as follows, to-wit:

Commencing at a point which is north 78° 08' East two hundred and twenty-five (225) feet from the southeast corner of the Curtis Lot in Barstow; thence easterly along the right of way of the Santa Fe Railroad Company eighty (80) feet; thence north to the right of way of the Santa Fe Railroad Company; thence westerly along the right of way of said Santa Fe Railroad Company eighty (80) feet; thence south to the point of beginning.

Together with the ice plant situate upon the said premises above described, including all buildings, engines, boilers, compressors, pumps and machinery of every kind and character, refrigeration and storage rooms and buildings, and all tools and supplies used in connection therewith, icing elevator, oil storage tank and auto truck."

DECISION No. 6342.

NEEDLES GAS AND ELECTRIC COMPANY

vs.

NEEDLES ICE COMPANY.

Case No. 1289.

Decided May 19, 1919.

CERTIFICATE—WHEN NOT REQUIRED.—An ice company which also operates a water distributing system is not required to obtain a certificate of public convenience and necessity to construct transmission lines and install electric pumping equipment for its own water system when it is shown that it has not nor does not intend to hold itself out as serving electricity to others. Complaint dismissed.

R. S. Masson, for Complainant.

Gibson, Dunne & Crutcher, by *S. M. Haskins*, for Defendant.

BRUNDIGE, *Commissioner*.

OPINION.

Complainant, Needles Gas and Electric Company, hereafter designated as the electric company, requests that The Needles Ice Company be enjoined from maintaining poles and wires in the town of Needles for the distribution and sale of electricity; from distributing and selling electric energy to the Murphy Water, Ice and Light Company or any inhabitants in the town of Needles, and for such other relief in the premises as may be just and equitable.

Complainant alleges in effect that it operates electric and gas production and distribution systems in the city of Needles; that it is the only company engaged in the distribution of electricity for light, heat and

power in Needles; that The Needles Ice Company, hereafter designated as Needles Ice Company, has installed in its plant machinery for generating electric energy, has installed a line of poles and wires extending across several streets in the city of Needles a distance of approximately 3,600 feet to the plant of the Murphy Water, Ice and Light Company, hereafter designated as the water company, and is contemplating selling electricity to said water company without obtaining a certificate of public convenience and necessity for such acts. It further alleges that unless defendant is restrained by order of the commission it will immediately engage in the business of selling such electricity, thus resulting in duplication and competition. Complainant further alleges that it has been at all times ready and willing to supply power to the water company to meet all its requirements; that public convenience and necessity do not justify defendant engaging in the business of distributing and selling electric energy in Needles.

Defendant, The Needles Ice Company, in its answer, denies all the material allegations of the complaint and alleges that the electric generating plant and transmission line referred to by complainant were constructed and paid for, and are now owned by, the Murphy Water, Ice and Light Company, which water utility furnishes water in the town of Needles.

At the hearing in this matter it was stipulated that Murphy Water, Ice and Light Company be considered a co-defendant with Needles Ice Company in the proceeding.

Needles Gas and Electric Company operates an electric generating plant and distribution system in the city of Needles and supplies electricity for light, heat and power in said city for general public use. It also operates a gas generating plant and distributing system and a telephone system serving the city of Needles and its inhabitants. The electric plant has generator capacity of approximately 300 kilowatts in three units. The load carried is mostly lighting and small power. The maximum demand requires two of the company's units operating on peak load during winter.

Needles Ice Company owns and operates an ice plant in the city of Needles for the supplying of ice for refrigeration of cars and for sale in the city of Needles. It has installed in its ice plant a 500 horsepower Deisel engine for operating its ice-making machinery, and a 120-horsepower Deisel engine electric unit for the operation of electric equipment in the ice plant and to pump water for said plant.

Murphy Water, Ice and Light Company is a water utility operating a water distributing system serving the town of Needles and its inhabitants. Needles Ice Company and Murphy Water, Ice and Light Company are owned and controlled by the same interests.

Up to the early part of 1919 the water company pumped water for its distribution system from wells located in the northeast section of Needles by use of steam engine pumps. Testimony for the water and ice companies is to the effect that, due to the continued increased cost of pumping by steam, the water company installed in the plant of the Needles Ice Company a 365-horsepower Deisel engine and a 320-kilowatt electric generator, together with the necessary switchboard and transformer equipment, and a transmission line extending from the ice works along private right of way some three-quarters of a mile to the pumping plant of the water company; that the steam pumping units at the pumping plant were replaced by electric motors and new pumps and that at the present time water supply for the town of Needles is pumped by electricity obtained from the plant in the Needles Ice Company's ice plant. The installation at the pumping plant consists of three 35-horsepower motors directly connected to centrifugal pumps, one pump being operated continuously with a possible second one on peak loads and for fire protection.

The installation, which cost in total approximately \$50,000.00, is estimated by defendants' witness to result in improved water service and economy. The equipment was installed in the ice company's plant to make available economies by joint operation with the ice plant machinery, thus giving mutual standby service and cheaper labor costs. The line connecting the two plants is, in general, across private rights of way owned by the interests which control and own both the water company and the Needles Ice Company. The line crosses the end of certain streets. The evidence does not show whether these streets still continue to be public thoroughfares or have been abandoned and transferred to the Santa Fe Railroad as result of placing an embankment across them.

There is no evidence to show other than that the plant and transmission line were installed by Murphy Water, Ice and Light Company, a water utility, for the operation of its own pumping plant and joint service with the ice company. Neither the water company nor Needles Ice Company at this time apply to serve electricity to the public nor have they held themselves out so to do in the past, and, therefore, in the construction and operation of this plant and line neither Murphy Water, Ice and Light Company nor Needles Ice Company become electric utilities subject to the requirements of the Public Utilities Act, requiring authority of the Railroad Commission to construct and operate said plant and line.

I recommend that the complaint be dismissed.

ORDER.

Needles Gas and Electric Company having filed a complaint against the Needles Ice Company, as set forth in the opinion preceding, a hearing having been held, the matter submitted and ready for decision.

It is hereby ordered that the above-entitled complaint of Needles Gas and Electric Company be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this nineteenth day of May, 1919.

DECISION No. 6343.

IN THE MATTER OF THE APPLICATION OF THE SPRING VALLEY WATER COMPANY TO DISCONTINUE PREFERENTIAL SERVICE TO SOUTH PACIFIC COAST RAILWAY AND THE SOUTHERN PACIFIC COMPANY.

Application No. 2860.

Decided May 20, 1919.

CONTRACT RATES--POWER TO REVISE.--The Railroad Commission has jurisdiction to revise rates of a public utility subject to its jurisdiction irrespective of whether or not such rates are specified in contracts or otherwise.

FREE SERVICE--CONTRACTS FOR--PREFERENTIAL AND DISCRIMINATORY.--A contract entered into between a water company and a railroad company whereby the railroad company receives free water service for an indefinite period in exchange for a pipeline right of way is held to be unjustly discriminatory as to other consumers of the water utility.

Contract between Spring Valley Water Company and Southern Pacific Company whereby the latter receives free water service at Newark held discriminatory and water company directed to charge regular rates for such service.

McCutchen, Olney & Willard, for Applicant.

Elmer Westlake, for South Pacific Coast Railway and Southern Pacific Company.

EDGERTON, LOVELAND and DEVLIN, Commissioners.

OPINION.

This application is made upon the following facts:

In May, 1888, Spring Valley Water Works, predecessor of applicant, constructed a water main to carry water from its source in Alameda County for distribution in San Francisco. South Pacific Coast Railway Company was, at that time, the owner of a line of railroad running from

Oakland through Newark station to Santa Cruz, which line of railroad was leased to, and was being operated by, Southern Pacific Company. On May 10 of that year an agreement was entered into between Spring Valley Water Works, South Pacific Coast Railway Company and Southern Pacific Company whereby Spring Valley Water Works was granted the right to lay its pipe line along the right of way of the railroad through the village of Newark for a distance of approximately four miles. The agreement provided in part:

"KNOW ALL MEN BY THESE PRESENTS: that the South Pacific Coast Railway Company (a corporation) and the Southern Pacific Company (a corporation), grantors, in consideration of the sum of five dollars (\$5.00) to them in hand paid, and in consideration of the construction and maintenance of a hydrant at Newark Station and the free use of water therefrom for fire and station and all other railroad purposes, have granted and by these presents do grant unto Spring Valley Water Works (a corporation), grantee, the right to lay and maintain a line or lines of iron water pipe conduit for the waters of said grantee on and along the line situate, lying and being in the county of Alameda in the state of California, described as follows, to wit: * * *"

(Here follows a description of the line.)

The water company laid a main 3 feet in diameter along the line specified in the contract and installed a connection at Newark, through which water was supplied to the water tank of the railroad. Through this connection water was supplied to the railroad free continuously up to 1913, the amount of water supplied varying from approximately 20,000 gallons per day when the connection was first installed, to 70,000 gallons to 90,000 gallons per day during recent years. The increase in the service demanded is due to the change of the railroad from narrow to broad gauge and the construction of the Dumbarton cut-off, which greatly increased the railroad operations at Newark.

In 1913 the water company threatened to discontinue the service of water to the railroad company unless a reasonable rate was paid therefor, whereupon the railroad company instituted a proceeding to enjoin the discontinuance of the service as a violation of the contract above mentioned. The Superior Court of Alameda County ruled in favor of the water company, whereupon an appeal was taken to the Supreme Court of the state which reversed the judgment. *Southern Pacific Co. vs. Spring Valley Water Co.*, 173 Cal. 291. In its decision, the Supreme Court stated that the contract could be enforced in accordance with its original provisions up to such time as the proper public authority (in this state the Railroad Commission) made an order revising the provisions of the contract, and that the Railroad Commission had jurisdiction to revise the provisions thereof. Referring to this question the court stated on page 297:

"We perceive no valid reason for holding the contract void because opposed to public policy. It is not claimed that it was not freely made, or that it was procured by fraud or undue influence. There is nothing inherently wrong in

such a contract to give water service upon payment in advance. No regulation or rule of any public authority empowered to control or regulate public water service in Alameda County had or has forbidden it. There is no claim that the taking of this water by the plaintiff has reduced the supply remaining in control of the defendants below the quantity necessary or convenient for the other consumers entitled to it or applying for it, or that the supply to plaintiffs has not been from a surplus that would have been unused but for their taking. Where the rates for water devoted to public use have not been fixed by public authority, the person in charge of the use and the consumer may freely contract regarding the price of service and the manner of payment, and such contracts will be deemed valid by the courts and may be enforced by any appropriate mode. *Fresno Canal etc. Co. vs. Park*, 129 Cal. 437 (62 Pac. 87); *Stanislaus W. Co. vs. Bachman*, 152 Cal. 725, 730 (15 L. R. A. [N. S.] 359, 93 Pac. 858); *Leavitt vs. Lassen Irr. Co.*, 157 Cal. 82, 90 (29 L. R. A. [N. S.] 213, 106 Pac. 404).

"It is true as said in the Leavitt case, the person in charge of the public use is a trustee in charge of a public trust, 'the agent in the execution of this public trust,' and that he can not lawfully burden this trust, or the property devoted to and held for the purposes of that trust, by imposing obligations upon himself, or burdens upon the property, which destroy or impair the public use or the public interest therein. And so he can not convey it away absolutely to private use, or contract for a preference to one consumer to the detriment of others in the public use. Any contract purporting to give such preference in the public use, or to transfer a part of the dedicated public supply to private use, is subject to revision by competent public authority, to the end that the public service shall not be unjustly discriminatory, or unreasonable, and that the private use shall not interfere with the public use, and such contracts may, by such authority, be reformed accordingly, to make them conform to the public interest. *Turtle Creek Borough vs. Pennsylvania W. Co.*, 243 Pa. 408 (90 Atl. 194); *Bellerue Borough vs. Ohio V. W. Co.*, 245 Pa. 117 (91 Atl. 236); see, also, *Fresno etc. Co. vs. Park*, 129 Cal. 437 (62 Pac. 87); *Stanislaus W. Co. vs. Bachman*, 152 Cal. 725 (15 L. R. A. [N. S.] 359, 93 Pac. 858). In the case first cited it is said that the power to fix rates and regulate public service of water devoted to public use 'carries with it jurisdiction to determine the reasonableness of charges, irrespective of prior contracts; to that extent such contracts may be reformed.' But until such public authority has intervened and modified such prior contract, it will be recognized as valid, and enforced in the course, as declared in our decisions above cited. The power to revise and reform contracts of public service water companies, in the interest of the public, applies as well to a contract creating or attempting to create an easement in the water held for public use as to any other disposition thereof.

"In this state this power of revision and regulation is now, and was when this controversy arose, lodged in the railroad commission by the Public Utilities Act of 1911."

The power of state commissions to revise rates specified in contracts for public utility service has also been upheld in *Limoneira Co. vs. Railroad Commission*, 174 Cal. 232, and *Union Dry Goods Co. vs. Georgia Public Service Corporation*, 248 U. S. 372.

In our opinion, a contract such as that presented in this proceeding, is preferential and amounts to an unjust discrimination against the other consumers of the water company. It has been the policy of this commission to eliminate all preferential service and rates. From the testimony introduced in this proceeding we are satisfied that the free service of water delivered under this contract has compensated the railroad company many times over for the value of the pipe line right of way granted. Our conclusion is not based upon this fact, however, for if any right of compensation remains it is not for this tribunal to

adjudicate the matter. Neither are we impressed with the fact that the railroads are now operated by the United States government, and that such rates as we may prescribe for this service will have to be paid by the federal government during the period of federal control.

Our conclusions are that the free water service rendered at Newark is unjustly discriminatory and that applicant should be directed to make a proper charge for the water so furnished. Under a schedule of rates recently established by this commission to be charged by Spring Valley Water Company for all of its consumers, the applicable schedule for the service here in question would be as follows:

Service charge.

For each meter in use, size 2-inch-----	\$4 50 per month
<i>For water delivered.</i>	
Between 0 and 3,300 cubic feet at-----	\$0 24 per 100 cubic feet
Between 3,300 and 33,300 cubic feet at-----	0 21 per 100 cubic feet
Above 33,000 cubic feet at-----	0 18 per 100 cubic feet

And we recommend that the Water company be directed to apply this schedule to the existing free water service at Newark.

ORDER.

This application having come on regularly for hearing and the commission being fully advised,

It is hereby found as a fact that the delivery of water free by Spring Valley Water Company at Newark in accordance with the contract above set forth is an unjust and discriminatory preference as against the other consumers of the water company;

It is further found as a fact that a just and reasonable charge for said service is the following:

Service charge.

For each meter in use, size 2-inch-----	\$4 50 per month
<i>For water delivered.</i>	
Between 0 and 3,300 cubic feet at-----	\$0 24 per 100 cubic feet
Between 3,300 and 33,300 cubic feet at-----	0 21 per 100 cubic feet
Above 33,000 cubic feet at-----	0 18 per 100 cubic feet

It is hereby ordered that within twenty (20) days from the date hereof applicant put into effect, charge and collect for the service herein involved the schedule of rates above set forth.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twentieth day of May, 1919.

DECISION No. 6344.

IN THE MATTER OF THE APPLICATION OF FOOTHILL DITCH COMPANY FOR AN ORDER VALIDATING THE ISSUANCE OF PROMISSORY NOTES.

Application No. 4456.

Decided May 20, 1919.

NOTES—ISSUANCE WITHOUT AUTHORITY—VOID.—Notes issued by public utility without authorization of the Railroad Commission are void under section 52 of the Public Utilities Act and such issuance can not be subsequently ratified by the commission, but must be replaced by new notes properly authorized. Applicant authorized to issue three notes of the aggregate face value of \$7,000.00.

D. E. Perkins, for Applicant.

MARTIN, Commissioner.

OPINION.

Foothill Ditch Company asks the Railroad Commission to make its order ratifying and validating the execution of promissory notes of the face value of \$7,000.00.

Applicant is engaged in the business of distributing and selling water for irrigation in Tulare County, through a certain ditch known as the Pogue-Wallace and Crocker ditch.

On February 8, 1918, it executed its 2-year 6 per cent promissory note for \$2,000.00 to Van Cleve Construction Company, while on May 8, 1918, it executed two 7 per cent promissory notes for \$2,500.00 to A. C. Dungan, one payable one year after date, the other two years after date. All of these notes were issued without an order from the Railroad Commission and are null and void under section 52 of the Public Utilities Act. The testimony shows that the notes were issued through inadvertence and without any intent to evade the provisions of the Public Utilities Act. The notes being null and void, it is impossible for the commission to ratify and validate their execution. The order herein will authorize applicant to issue new notes for the purpose of refunding the indebtedness represented by the notes which applicant attempted to issue on February 8, 1918, and on May 8, 1918.

I herewith submit the following form of order:

ORDER.

Foothill Ditch Company having applied to the Railroad Commission for permission to issue notes and a public hearing having been held,

It is hereby ordered that Foothill Ditch Company be and it is hereby granted authority to issue to the Van Cleve Construction Company its

2-year 6 per cent promissory note for the principal sum of \$2,000.00; to A. C. Dungan its 1-year 7 per cent promissory note for the principal sum of \$2,500.00, and to A. C. Dungan its 2-year 7 per cent promissory note for the sum of \$2,500.00, all upon the following conditions and for the following purposes:

A. The note which applicant attempted to issue to the Van Cleve Construction Company on February 8, 1918, and the notes issued to A. C. Dungan on May 8, 1918, shall be returned to applicant and canceled by it prior to the issue of the notes herein authorized, which notes are authorized for the purpose of refunding the indebtedness represented by the notes which applicant is directed to cancel.

B. Foothill Ditch Company shall keep such record of the issue of the notes herein authorized as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

C. The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

D. The authority herein granted shall apply only to such notes as may be issued on or before November 1, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twentieth day of May, 1919.

DECISION No. 6345.

IN THE MATTER OF THE APPLICATION OF MIDLAND COUNTIES
PUBLIC SERVICE CORPORATION FOR AUTHORITY TO RENEW
CERTAIN NOTES.

Application No. 4556.

Decided May 21, 1919.

Applicant authorized to issue its promissory notes of the face value of \$107,200.00, such notes to be issued for a period of not to exceed one year, for the purpose of refunding a like face value of outstanding notes.

A. E. Peat, for Applicant.

BRUNDIGE, *Commissioner*.

OPINION.

Midland Counties Public Service Corporation asks permission to issue notes of the aggregate face value of \$107,200.00 for the purpose of

renewing notes which have matured or are about to mature. A list of the notes which applicant intends to renew appears in the order herein.

Applicant reports that the moneys obtained through the issue of the notes were used to acquire properties and pay for the construction, extension and improvements of its facilities and service.

Applicant requests permission to issue the notes for such terms as it deems advisable and renew the same from time to time, provided that the aggregate of the terms of such renewals respectively shall not exceed one year from the date of the first renewal.

I herewith submit the following form of order:

ORDER.

Midland Counties Public Service Corporation having applied to the Railroad Commission for authority to issue \$107,200.00 face value of notes, a public hearing having been held and it appearing to the Railroad Commission that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Midland Counties Public Service Corporation be and it is hereby authorized to issue, at not less than the face value thereof, its promissory notes for a term not exceeding one year for the purpose of renewing the following promissory notes now outstanding:

Payee	Date of note	Due date	Interest rate (per cent)	Amount
1. Union National Bank of San Luis Obispo	2/18/19	5/ 8/19	7	\$8,000 00
2. Wells-Fargo-Nevada National Bank..	2/21/19	5/21/19	6	37,500 00
3. Wells-Fargo-Nevada National Bank..	2/21/19	5/21/19	6	37,500 00
4. First National Bank of Fresno.....	2/24/19	5/24/19	6	2,500 00
5. Union National Bank of Fresno.....	1/25/19	5/25/19	6	11,500 00
6. First National Bank of Coalinga.....	4/ 8/19	6/25/19	6	6,500 00
7. W. G. Kerckoff.....	10/ 1/17	1/ 1/18	6	2,850 00
8. W. G. Kerckoff.....	4/ 1/18	7/ 1/18	6	2,850 00
Total				\$107,200 00

The authority herein granted to issue notes is subject to the following conditions:

1. The notes herein authorized to be issued shall be issued to the same payees, at not exceeding the same rates of interest and in the same amounts as the notes which they are given to renew.

2. Applicant may, if it so desires, issue notes for a period of less than one year and renew said notes from time to time, provided that the com-

bined terms of the notes herein authorized and those issued in renewal thereof, shall not exceed one year.

3. Midland Counties Public Service Corporation shall keep such record of the issue of the notes herein authorized and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-first day of May, 1919.

DECISION No. 6346.

IN THE MATTER OF THE APPLICATION OF PANAMA ACRES SYNDICATE FOR PERMISSION TO SELL ALL OF ITS RIGHTS, TITLE AND INTEREST IN ITS PIPE LINES AND WATER TANK TO THE LOS ANGELES COUNTY WATER WORKS COMPANY, A CORPORATION.

Application No. 4463.

Decided May 21, 1919.

Ben F. Gray, for Applicants.

BRUNDIGE, Commissioner.

OPINION.

Panama Acres Syndicate asks permission to transfer its public utility water system described in the petition herein and in Exhibits "A," "D," and "G" attached thereto, to Los Angeles County Water Works Company.

Panama Acres Syndicate was formed in 1910 for the purpose of acquiring a tract of land known as Panama Acres, Los Angeles County, and subdivide the same. To facilitate the sale of lots, the syndicate installed a public utility water plant consisting of a well and distributing system. The well has proven insufficient to supply the owners of lots in the tract with water. It has become necessary for the syndicate to procure water elsewhere. Rather than pay for the sinking of another

well, the syndicate has concluded to transfer its public utility water plant to the Los Angeles County Water Works Company, a corporation.

The Los Angeles County Water Works Company is a public utility corporation engaged in selling and furnishing water in the immediate vicinity of Panama Acres. Its system can readily be connected with that of the syndicate. Applicants report that the Los Angeles County Water Works Company has sufficient water to serve the consumers in Panama Acres as well as supplying its present consumers and that through the transfer of the properties better service can be given to the residents on lots purchased from Panama Acres Syndicate.

I herewith submit the following form of order:

ORDER.

Panama Acres Syndicate having applied to the Railroad Commission for permission to sell and transfer its public utility water plant to Los Angeles County Water Works Company and Los Angeles County Water Works Company having joined in the application, a public hearing having been held and the commission being of the opinion that this application should be granted,

It is hereby ordered that Panama Acres Syndicate be and it is hereby granted authority to sell and transfer on or before September 1, 1919, its public utility water system described in the petition herein and in Exhibits "A," "D" and "G" attached thereto, to Los Angeles County Water Works Company pursuant to the terms and conditions of Exhibits "D" and "G" attached to the petition herein, provided that within thirty days after the execution by the petitioners herein of an instrument of conveyance transferring the properties herein referred to, a certified copy of such instrument of conveyance be filed with the Railroad Commission by the Los Angeles County Water Works Company.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-first day of May, 1919.

DECISION No. 6347.

IN THE MATTER OF THE APPLICATION OF CATHERINE A. BROOKS,
OWNER OF LAGUNA HEIGHTS WATER SYSTEM, FOR AN ORDER
AUTHORIZING THE ISSUANCE OF A NOTE AND MORTGAGE GIVEN
FOR WATER BEARING LANDS NECESSARY TO SERVE WATER IN
THE UNINCORPORATED TOWN OF LAGUNA BEACH.

Application No. 4490.

Decided May 22, 1919.

Applicant authorized to execute a mortgage and issue a note in the face value of \$3,000.00, secured thereby, such execution to be in lieu of a note and mortgage heretofore issued without authorization.

Joe W. Skidmore, for Applicant.

BRUNDIGE, *Commissioner*.

OPINION.

This application, as amended at the hearing, involves the issue of a 7 per cent \$3,000.00, 25-year note and the execution of a mortgage to secure the payment of the note.

Catherine A. Brooks is engaged in the business of serving domestic water in Laguna Heights, Arch Beach, Seawood and Rock Ledge, all in the Laguna Beach Road District, Orange County, California.

The testimony shows that in 1918 she purchased from L. F. Moulton certain necessary water bearing lands at a cost of \$3,000.00 and in payment therefor issued her 7 per cent \$3,000.00, 25-year note and executed a mortgage to secure the payment of the note. The note was issued and the mortgage executed without an order from the Railroad Commission. Under section 51 and section 52 of the Public Utilities Act both the mortgage and the note are void. The testimony shows that applicant issued the note and executed the mortgage through inadvertence and with no intent to evade the provisions of the Public Utilities Act. I therefore recommend that applicant be permitted to issue a 7 per cent \$3,000.00, 25-year note and to execute a mortgage for the purpose of acquiring the properties referred to in the application herein and exhibits attached thereto.

I herewith submit the following form of order:

ORDER.

Catherine A. Brooks having applied to the Railroad Commission for permission to issue a note and execute a mortgage, a public hearing having been held, and it appearing to the Railroad Commission that the money, property or labor to be procured or paid for by such issue is

reasonably required for the purpose or purposes specified in the order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Catherine A. Brooks be and she is hereby granted authority to issue to L. F. Moulton a 7 per cent \$3,000.00 25-year note and execute a mortgage substantially in the same form as the mortgage attached to the petition herein and marked Exhibit "B" for the purpose of securing the payment of said note.

The authority herein granted is upon the following conditions and not otherwise:

1. The note issued on January 14, 1918, and the mortgage executed on that date shall be cancelled before the issue of the note and the execution of the mortgage herein authorized.

2. Within thirty days after the execution of the mortgage herein authorized, applicant shall file with the Railroad Commission a verified copy of such mortgage.

3. Catherine A. Brooks shall keep such record of the issue of the note herein authorized and of the disposition of the proceeds as will enable her to file on or before the twenty-fifth day of each month a verified report as required by the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted shall not become effective until applicant has paid the fee prescribed by section 57 of the Public Utilities Act.

5. The authority herein granted to issue a note and to execute a mortgage shall apply only to such note as may be issued and to such mortgage as may be executed on or before September 1, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-second day of May, 1919.

DECISION No. 6348.

IN THE MATTER OF THE APPLICATION OF LAGUNA CLIFFS WATER COMPANY, A CORPORATION, AND CATHERINE A. BROOKS, APPLICANTS, FOR PERMISSION FOR SAID LAGUNA CLIFFS WATER COMPANY TO SELL AND SAID CATHERINE A. BROOKS TO BUY CERTAIN LANDS, WATER RIGHTS, EASEMENTS AND WATER SYSTEM DEVOTED TO THE PUBLIC SERVICE OF WATER.

Application No. 4514.

Decided May 22, 1919.

Laguna company authorized to transfer its water system to Brooks and the latter to issue \$3,000.00 face value of notes in payment therefor.

Joe W. Skidmore, for Catherine A. Brooks.

H. G. Heisler and *E. B. McKnight*, for Laguna Cliffs Water Company.

BRUNDIGE, *Commissioner*.

OPINION.

Laguna Cliffs Water Company asks permission to sell its water system to Catherine A. Brooks for the sum of \$3,000.00. A description of the properties is set forth in Exhibit "A" attached to the petition herein.

In general the properties to be transferred consists of all right, title and interest in and to water rights, rights of way and easements described in a deed dated November 13, 1907, made by and between F. and W. Thum Company and Laguna Beach Company, which deed was recorded in Book 160 at page 158 of Deeds, in the office of the County Recorder of Orange County, California, together with all the water works, tanks, reservoirs, machinery, apparatus and pipes constructed, placed and laid upon the lands described in the deed and the property used by Laguna Cliffs Water Company in the development and distribution of water in the vicinity of the town of Laguna Beach.

Catherine A. Brooks operates a public utility water plant in Laguna Beach. She joins in this application and asks permission to purchase the water properties now operated by Laguna Cliffs Water Company. It is alleged by applicants that their interests, as well as that of the public, will be advanced by the sale of the properties, that contiguous territory is being served by the two water systems, that through the consolidation of the two properties overhead expenses can be eliminated and that better and cheaper service can be given through one organization.

Catherine A. Brooks asks permission not only to purchase the properties, but also to issue three \$1,000.00 notes, one payable on **January 1, 1922**, another on **January 1, 1923**, and the third on **January 1, 1924**. Under the agreement of sale, Catherine A. Brooks may pay the \$3,000.00

prior to January 1, 1922. After January 1, 1922, the deferred payments bear interest at the rate of 6 per cent per annum.

I herewith submit the following form of order:

ORDER.

Laguna Cliffs Water Company having applied to the Railroad Commission for permission to sell and transfer, and Catherine A. Brooks to purchase, certain public utility water properties, and the latter to issue \$3,000.00 face value of notes in payment therefor, a public hearing having been held and the commission being of the opinion that this application should be granted,

It is hereby ordered that Laguna Cliffs Water Company be and it is hereby granted authority to sell the properties described in Exhibit "A" attached to the petition herein, to Catherine A. Brooks, said sale to be made pursuant to the terms of the agreement attached to the petition herein and marked Exhibit "C."

It is hereby further ordered that Catherine A. Brooks be and she is hereby authorized to issue \$3,000.00 face value of notes pursuant to the terms and conditions of the agreement of sale attached to the petition herein and marked Exhibit "C."

The authority herein granted is upon the following conditions and not otherwise:

1. Within thirty days after the execution by the petitioners herein of an instrument of conveyance transferring the properties herein referred to, a certified copy of such instrument of conveyance shall be filed with the Railroad Commission by Catherine A. Brooks.

2. The issue of the notes herein authorized shall not be interpreted by the purchaser of the properties as a measure of value of said properties for rate-fixing or any purpose other than the transfer herein permitted.

3. Catherine A. Brooks shall keep such record of the issue of the notes herein authorized and of the disposition of the proceeds as will enable her to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted shall not become effective until Catherine A. Brooks has paid the fee prescribed by section 57 of the Public Utilities Act.

5. The authority herein granted shall apply only to such notes as may be issued on or before September 1, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-second day of May, 1919.

DECISION No. 6354.

IN THE MATTER OF THE APPLICATION OF THE OCEAN PARK HEIGHTS
LAND AND WATER COMPANY AND ANNIE DELL SEGNO FOR AN
ORDER AUTHORIZING THE EXECUTION OF A NOTE AND
MORTGAGE.

Application No. 4521.

Decided May 26, 1919.

NOTE—ISSUE—OPERATING EXPENSES.—The provisions of sections 51 and 52 of the Public Utilities Act prohibit the Railroad Commission from authorizing the issuance of a three-year note by a public utility covering legal expenses incurred, as such expenses are chargeable to operation and not to capital account, and it is also shown that the majority of such expense was incurred in connection with private and not public utility business. Application denied.

Walter E. Burke, for Applicant.

BRUNDIGE, *Commissioner*.

OPINION.

Annie Dell Segno, operating a public utility water plant under the fictitious name and style of Ocean Park Heights Land and Water Company, asks permission to issue to Walter E. Burke a three-year 6 per cent note for \$3,896.65 and execute a mortgage to secure the payment of the note.

The record shows that applicant employed Walter E. Burke as attorney; that he represented applicant in various court proceedings and in two proceedings before this commission; that there is due him for services rendered the sum of \$3,896.65, and that a comparatively small part of the \$3,896.65 represents a charge for services rendered in connection with applicant's public utility operations. Even such indebtedness as was incurred because of public utility operations is chargeable to operating expenses rather than to capital account.

It occurs to me that the commission under the facts of this case can not, because of the provisions of sections 51 and 52 of the Public Utilities Act, permit applicant either to mortgage her public utility properties, or in her public utility capacity issue a note for the purpose of meeting an obligation incurred in connection with nonpublic utility business.

I herewith submit the following form of order:

ORDER.

Annie Dell Segno, operating a public utility water plant under the fictitious name and style of Ocean Park Heights Land and Water Company, having applied to the Railroad Commission for permission to issue a note and execute a mortgage, a public hearing having been held,

and the commission being of the opinion that this application should be denied for the reasons set forth in the foregoing opinion,

It is hereby ordered that the application of Annie Dell Segno, operating a public utility water plant under the fictitious name and style of Ocean Park Heights Land and Water Company, for permission to issue a note and execute a mortgage, be and it is hereby denied without prejudice.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-sixth day of May, 1919.

DECISION No. 6362.

IN THE MATTER OF THE APPLICATION OF SANTA BARBARA GAS AND ELECTRIC COMPANY AND SOUTHERN CALIFORNIA EDISON COMPANY FOR AUTHORITY TO SELL CERTAIN GAS PROPERTIES AND FRANCHISES TO SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA; AND IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA FOR AUTHORITY TO PURCHASE SAID PROPERTIES AND TO ISSUE AND SELL BONDS.

Application No. 4440.

Decided May 29, 1919.

The Railroad Commission will permit the sale, for the sum of \$825,000.00 of gas properties with a physical valuation of \$620,000.00, only with the understanding that the purchase price will not hereafter be urged as a measure of value for rate-fixing purposes.

Authorization given to transfer of gas plants at Ventura and Santa Barbara to Southern Counties Gas Company and the latter company to issue \$620,000.00 face value of first mortgage bonds to be sold at not less than 83, proceeds thereof to be used in part payment for properties purchased.

Hunsaker, Britt & Edwards, by *LeRoy M. Edwards*, and *Robert M. Clarke*, for Southern Counties Gas Company of California.

Harry J. Bauer and *William G. Griffith*, for Santa Barbara Gas and Electric Company and Southern California Edison Company.

W. P. Butcher, for city of Santa Barbara.

H. F. Orr, for city of Ventura.

J. A. Galvin, for city of Fillmore.

Adolph Zwirn, in *propria persona*.

LOVELAND and BRUNDIGE, *Commissioners*.

OPINION.

Santa Barbara Gas and Electric Company and Southern California Edison Company ask permission to sell to Southern Counties Gas Company of California pursuant to the terms and conditions of Exhibit "A"

attached to the petition herein, the properties described in applicants' Exhibits No. 6 and No. 7, as amended at the hearing held on April 28, 1919. Southern Counties Gas Company of California asks permission to purchase said properties, to exercise, when acquired, all of the franchises now owned and used by the selling corporations in connection with said properties, to operate said properties pursuant to the terms and conditions of the agreement attached to the petition herein and marked Exhibit "B" and to issue and sell \$668,000.00 face value of its 5½ per cent first mortgage bonds due May 1, 1936.

Southern California Edison Company owns a gas generating plant located at Ventura. The plant has a rated generating capacity of 300,000 cubic feet per day. The company's annual report for the year ending December 31, 1918, shows that it sold and distributed artificial gas at Ventura, Oxnard, Santa Paula and vicinity; that during 1918 it had 2,107 consumers; that it produced 85,308,000 cubic feet of artificial gas; that it sold 50,400,000 cubic feet, leaving 34,908,000 unaccounted for. The company intends to sell all of its gas properties, which for convenience will hereafter be referred to as the Ventura properties.

Santa Barbara Gas and Electric Company owns and operates an electric and gas generating and distributing system in Santa Barbara and vicinity. On December 31, 1918, the company reported \$400,900.00 of common and \$400,000.00 of 6 per cent preferred stock outstanding. All of the preferred and \$336,500.00 of the common stock is owned by the Southern California Edison Company. The report of the Santa Barbara Gas and Electric Company for the year ending December 31, 1918, shows that it owns an artificial gas generating plant having a capacity of 2,800,000 cubic feet per 24 hours; that during 1918 it produced 217,676,000 cubic feet of gas; that it sold 165,105,000 cubic feet, leaving 52,571,000 cubic feet unaccounted for, and that during 1918 it had 4,375 gas consumers. The Santa Barbara Gas and Electric Company, controlled through stock ownership by the Edison Company, asks permission to sell its artificial gas plant and distributing system at Santa Barbara and vicinity to the Southern Counties Gas Company of California. For convenience, the gas properties of the Santa Barbara Gas and Electric Company will hereafter be referred to as the Santa Barbara properties.

The Edison Company desires to sell the Ventura and Santa Barbara properties for the reason that it intends to devote all of its attention to the operation of its electric properties and contemplates complete withdrawal from the gas business. The Southern Counties Gas Company of California requests permission to purchase the properties because it believes that through the introduction of natural gas in Ventura County and through a rehabilitation of the properties and development of the

business, together with a possible introduction of natural gas at Santa Barbara, it can increase the sale of gas for domestic as well as for industrial purposes and can effect efficiencies and economies of benefit not only to itself but also to the gas consumers. Under an operating agreement between the Southern Counties Gas Company of California and the Edison and Santa Barbara companies, the Southern Counties is at present in charge of both the Ventura and Santa Barbara properties. Natural gas with a heat content of about 1,250 instead of 570 British thermal units for artificial gas is being distributed in Ventura. It is our opinion that the public will be benefited by the proposed transfer, provided such transfer is made on reasonable terms.

Applicants in Exhibit No. 1 report the book cost of the Ventura properties at \$255,343.50. In their Exhibit No. 2 applicants report the book cost of the Santa Barbara properties at \$672,225.77. The book cost of the two properties is reported at \$927,569.27. In Exhibit No. 8, prepared by A. R. Kelley, valuation engineer, applicants report the historical cost of the Ventura properties at \$228,343.80, of the Santa Barbara properties at \$569,662.22, making a total of \$798,006.02. In Exhibit No. 9, also prepared by A. R. Kelley, applicants report the "cost to reproduce new, less depreciation," of the Ventura properties at \$208,805.21, of the Santa Barbara properties at \$578,102.69, making a total of \$786,907.90. In the same exhibit, the reproduction cost new, based on present prices, of the Ventura properties is reported at \$296,632.46, of the Santa Barbara at \$706,615.03, making a total of \$1,003,247.49. The engineering department of the Railroad Commission in the commission's Exhibit No. 1, reports the "depreciated historical reproduction cost" of the Ventura properties at \$147,286.00, and that of the Santa Barbara properties at \$470,887.00, making a total of \$618,173.00. The \$618,173.00 is based upon the assumption that the artificial gas generating plant at Ventura will be continued in operation. Assuming that this plant will be dismantled because of the introduction of natural gas at Ventura, the engineers of the commission estimate the "depreciated historical reproduction cost" of the two properties at \$603,905.00. The "depreciated historical reproduction cost" of the properties as found by the commission's engineers takes into account the service condition of these properties, but only to a limited extent does it reflect the present high prices. Counsel for Southern Counties Gas Company of California at the hearing called the attention of the engineers of the commission to the fact that they made no allowance in their appraisal for the cost of franchises obtained from the city of Santa Barbara and the city of Ventura. The cost of the Ventura franchise is reported at approximately \$1,500.00. Adding the cost of the franchises to the depreciated historical reproduction cost of the

properties, as found by the commission's engineers, makes a total of approximately \$620,000.00. No other exception than the omission of the cost of the franchises is taken to the appraisal submitted by the commission's engineers. It should be stated, however, that this appraisal covers only the physical properties.

Applicants in Exhibit No. 3 report the operating revenues of the Ventura properties at \$64,172.29, while the operating expenses amounted to \$81,511.84, resulting in a loss from operation of \$17,339.55. In the same exhibit, the operating revenues of the Santa Barbara properties are reported for 1918 at \$173,375.16, the operating expenses at \$148,873.99, and the net operating revenues at \$24,501.17. The combined operating revenues of the two properties is reported at \$237,547.45, the combined operating expenses at \$230,385.83 and the net combined operating revenue at \$7,161.62. The operating expenses include no allowance for depreciation.

The properties which Santa Barbara Gas and Electric Company and Southern California Edison Company intend to sell to the Southern Counties Gas Company of California are described in applicants' Exhibits No. 6 and No. 7, as amended at the hearing on April 28, 1919. Southern Counties has agreed to pay \$825,000.00 for the properties free and clear of all encumbrances. The appraisal of the properties by the engineers of the commission, an examination of their present physical condition and of the service rendered during the past year, together with a consideration of the past, present and prospective earnings, lead us to believe that the purchase price is somewhat excessive. If it were urged that the commission, by authorizing the transfer of these properties at \$825,000.00, is bound to recognize the transfer price as a rate base, this application would have to be denied. Representatives of the Southern Counties believe that the properties are worth to it \$825,000.00. In arriving at such a conclusion, consideration was given not only to the physical condition of the properties but also to their prospective earning power. It is hoped that a sufficient supply of natural gas can be developed to serve the consumers of not only the Ventura properties, but also of the Santa Barbara properties.

The stockholders of the Southern Counties Gas Company of California, acting through their corporate organization, are willing, according to the testimony herein, to pay \$825,000.00 for the properties. Southern Counties, however, intends to mortgage the properties which it will acquire as well as those now owned by it to the extent of \$668,000.00 for the purpose of raising part of the funds necessary to pay for the properties. We are willing to permit the Southern Counties, if it so desires, to expend \$825,000.00 for the Ventura and Santa Barbara properties, because it is clear that the transfer will promote the public interest by providing an improved service, but we are of the

opinion that the amount of bonds which may be issued by the Southern Counties to acquire these properties should not exceed \$620,000.00, an amount equivalent to the depreciated historical reproduction cost of the properties, as found by the commission's engineers. The difference between the proceeds from the sale of the bonds and the purchase price of the properties should be paid by the stockholders of the Southern Counties either through appropriation of surplus earnings or through some other means which will not result in an increase in the permanent capitalization of the company.

The balance sheet of the Southern Counties Gas Company of California, as of February 28, 1919, shows the following:

<i>Assets.</i>	
Tangible property—Bachr inventory—less appreciation.....	\$5,943,505 38
Additions since February 1, 1916	1,448,749 30
Organization rights and franchises	36,251 82
Additions since February 1, 1916—franchises.....	3,371 71
Materials and supplies	197,739 59
Accounts and notes receivable	133,187 21
Cash and special deposits	226,222 34
United States bonds.....	25,350 00
Payment on stocks	758,505 76
Unamortized discount on bonds and debentures.....	231,721 43
Organization, taxes, insurance, etc.....	59,217 79
Total assets.....	\$6,163,822 33
<i>Liabilities.</i>	
Common stock.....	\$1,500,000 00
First mortgage 5½ per cent bonds.....	3,563,000 00
Two-year 6 per cent debentures and notes.....	400,000 00
Notes and accounts payable.....	169,337 78
Sundry deposits.....	62,224 30
Interest and insurance accrued.....	77,593 73
Reserve for accrued depreciation.....	93,321 76
Reserve for amortization of gas plant.....	3,983 76
Reserve for contingencies and inventory.....	15,783 05
Surplus	279,481 95
Total liabilities.....	\$6,163,822 33

The Edison company will receive \$195,000.00 and the Santa Barbara company \$630,000.00 of the purchase price. The \$195,000.00 will be used by the Edison company to redeem \$172,000.00 of outstanding bonds issued by Ventura Water, Light and Power Company and \$23,000.00 issued by the Ventura County Power Company. The \$630,000.00 received by the Santa Barbara Gas and Electric Company, according to the records herein, will be deposited in a special trust fund pursuant to the terms of the mortgage securing the payment of the \$1,000,000.00 of outstanding Santa Barbara Gas and Electric Company bonds. The lien of these bonds covers not only the electric properties of the Santa Barbara Gas and Electric Company, but will also attach to the \$630,000.00 deposited in the special trust fund. Ultimately, the company intends to

use the \$630,000.00 to pay for extensions, improvements and betterments to its electric system. As the money is used to pay for the acquisition of additional properties, such properties will automatically become subject to the lien of the mortgage of the Santa Barbara company and no additional bonds may be issued to pay for them.

Applicants report that through the acquisition of the Ventura and Santa Barbara properties, the Southern Counties Gas Company of California will acquire the following franchises:

(a) A constitutional franchise under section 19, Article II, of the Constitution of the state of California, as the same existed prior to its amendment on October 10, 1911, which franchise will give it the right to operate in the city of Santa Barbara.

(b) A franchise granted by the board of supervisors of Santa Barbara County to the Santa Barbara Gas and Electric Company by Ordinance No. 350, adopted October 16, 1911.

(c) A franchise granted by the board of supervisors of Santa Barbara County to the Santa Barbara Gas and Electric Company by Ordinance No. 366, adopted December 8, 1914.

(d) A franchise granted by the trustees of the town of San Buena Ventura to E. P. Foster by Ordinance No. 126, adopted November 3, 1905.

(e) A franchise granted by the city of Oxnard to E. P. Foster under Ordinance No. 34, adopted November 29, 1904.

(f) Constitutional franchises under section 19, Article II, of the Constitution of the state of California, as the same existed prior to its amendment on October 10, 1911, which franchises will give the purchasing company the right to operate in the city of Ventura, city of Oxnard and the city of Santa Paula.

The Southern Counties asks permission, if it is granted the right to purchase the Ventura and Santa Barbara properties, to operate under each and every one of the franchises enumerated above. The authority herein granted to purchase the properties carries with it the right to operate under the various franchises, subject of course, to the conditions of the order herein.

Pending the final transfer of the properties, the Southern Counties asks permission to operate the Santa Barbara and Ventura properties pursuant to the terms and conditions of an agreement dated February 28, 1919, which agreement is attached to the petition herein and marked Exhibit "B." Under this agreement the purchasing company is given the right to assume general charge and supervision of the plants and properties which it intends to acquire. It is not permitted, however, to undertake any new construction without the permission of the selling corporations. All amounts due from consumers for services rendered subsequent to the date of the agreement shall be collected by the purchasing company as the agent of the selling corporations and deposited in a special trust fund. The purchasing company is permitted to draw upon this special trust fund for the purpose of paying the cost of operating the plants and properties and the cost of all extensions, improvements, replacements, repairs or betterments made subsequent to the date of the agreement. In the event that the moneys

on deposit in the special trust fund are not sufficient, the purchasing company is required to advance any additional amounts required. If the transfer of the properties is not consummated, any moneys remaining in the special trust fund upon the termination of the agreement revert to the selling corporations.

We herewith submit the following form of order:

ORDER.

Southern California Edison Company and Santa Barbara Gas and Electric Company having applied to the Railroad Commission for permission to sell, and Southern Counties Gas Company of California for permission to purchase the gas properties described in Exhibit "A," attached to the petition herein, and in Exhibits No. 6 and No. 7, as amended at the hearing on April 28, 1919, and Southern Counties Gas Company of California having applied to the Railroad Commission for permission to issue bonds, a public hearing having been held and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue as is herein authorized, is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Southern California Edison Company and Santa Barbara Gas and Electric Company be and they are hereby permitted to sell, and Southern Counties Gas Company of California to purchase, pursuant to the terms and conditions of the agreement attached to the petition herein and marked Exhibit "A," the properties described in said Exhibit "A" and in applicants' Exhibits No. 6 and No. 7, as amended at the hearing on April 28, 1919, provided that pending the transfer of said properties Southern Counties Gas Company of California may operate said properties pursuant to the terms and conditions of the agreement attached to the petition herein and marked Exhibit "B."

It is hereby further ordered that Southern Counties Gas Company of California be and it is hereby granted authority to issue \$620,000.00 of its 5½ per cent first mortgage bonds payable May 1, 1936.

The authority herein granted is upon the following conditions and not otherwise:

1. The bonds herein authorized to be issued shall be sold by Southern Counties Gas Company of California, for cash, at not less than 83 per cent of their face value, plus accrued interest.

2. The proceeds obtained from the sale of the bonds shall be used by Southern Counties Gas Company of California to pay in part for the properties which it intends to acquire from the Southern California Edison Company and the Santa Barbara Gas and Electric Company.

3. The price at which the properties of Santa Barbara Gas and Electric Company and Southern California Edison Company are authorized to be sold and transferred shall not be binding upon this commission or any other public body as a measure of value of said properties for rate-fixing or for any purpose other than the transfer herein authorized.

4. The authority herein granted shall not become effective until Southern Counties Gas Company of California shall have filed with the Railroad Commission a stipulation, satisfactory to the commission, agreeing that the difference between the proceeds from the sale of the bonds herein authorized to be issued and the purchase price paid for the properties herein authorized to be transferred will be paid by the stockholders of the Southern Counties Gas Company of California either through the appropriation of surplus earnings or through some other means which will not result in an increase of the permanent capitalization of Southern Counties Gas Company of California beyond the \$620,000.00 face value of bonds herein authorized to be issued.

5. Within ninety days after the date hereof, Southern Counties Gas Company of California shall file with the Railroad Commission a stipulation duly authorized by its board of directors declaring the Southern Counties Gas Company of California, its successors or assigns, will comply with all the terms and conditions of the franchises which it will acquire pursuant to the authority herein granted and particularly with Ordinance No. 350, adopted October 16, 1911, by the board of supervisors of Santa Barbara County; Ordinance No. 366, adopted December 8, 1914, by the board of supervisors of Santa Barbara County; Ordinance No. 126, adopted November 7, 1903, by the trustees of the town of San Buena Ventura and Ordinance No. 34, adopted November 29, 1904, by the city of Oxnard; and that it will never claim before the Railroad Commission or any court or other public body a value for the rights and privileges granted by said ordinances in excess of the amount actually paid to the county of Santa Barbara, the town of San Buena Ventura and the city of Oxnard as the consideration for the respective grants of such rights and privileges, which amounts shall be set forth and segregated in the stipulation, and shall have received from the Railroad Commission a supplemental order declaring that such stipulation in satisfactory form has been filed with the Railroad Commission.

5. Within sixty days after the transfer of the properties, Southern Counties Gas Company of California shall submit to the Railroad Commission for approval all of the book entries relative to the purchase of the properties of Santa Barbara Gas and Electric Company and the Southern California Edison Company.

6. Within sixty days after the execution of instruments of conveyance transferring the properties herein referred to, certified copies of

each and every such instrument of conveyance shall be filed with the Railroad Commission by Southern Counties Gas Company of California.

7. Southern Counties Gas Company of California shall keep such record of the issue and sale of bonds herein authorized and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

8. The authority herein granted shall not become effective until Southern Counties Gas Company of California shall have paid the fee prescribed by section 57 of the Public Utilities Act.

9. The authority herein granted shall apply only to the transfer of such properties and to the issue of such bonds as may occur prior to November 30, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-ninth day of May, 1919.

DECISION No. 6369.

IN THE MATTER OF THE APPLICATION OF SAN FRANCISCO AND SAN JOSE TRANSPORTATION COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF STOCK.

Application No. 4301.

Decided June 3, 1919.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas the Railroad Commission by Decision No. 6237, dated April 3, 1919, authorized San Francisco and San Jose Transportation Company to issue and sell at not less than par \$23,500.00 par value of its common capital stock, subject among others, to the condition that the proceeds from the sale of \$10,000.00 of stock shall be deposited in a special bank account and expended only for such purposes as the Railroad Commission may hereafter authorize by a supplemental order; and

Whereas applicant in its supplemental petition filed in the above-entitled matter on May 28, 1919, reports that because of the increase in its business, it is necessary for it to expend the proceeds from the sale

of the \$10,000.00 of stock to provide for working capital and to pay for additional equipment, and it appearing to the Railroad Commission that applicant's request is reasonable; now, therefore,

It is hereby ordered that San Francisco and San Jose Transportation Company be and it is hereby granted permission to use the proceeds from the sale of \$10,000.00 of stock to provide for working capital in an amount not exceeding \$5,000.00, and use the remainder of the proceeds from the sale of said \$10,000.00 of stock to pay for additional truck equipment.

It is hereby further ordered that the order in Decision No. 6237, dated April 3, 1919, shall remain in full force and effect, except as modified by this first supplemental order.

Dated at San Francisco, California, this third day of June, 1919.

DECISION No. 6370.

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA FOR AUTHORITY TO ISSUE ADDITIONAL BONDS IN THE AMOUNT OF ONE HUNDRED EIGHTEEN THOUSAND FIVE HUNDRED DOLLARS.

Application No. 4270.

Decided June 3, 1919.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas the Railroad Commission in Decision No. 6027, dated December 26, 1918, authorized Southern Counties Gas Company of California to issue \$629,000.00 of its 5½ per cent first mortgage bonds subject, among others, to the condition that \$160,000.00 of said bonds shall be sold pursuant to the terms and conditions of a supplemental order or orders; and

Whereas applicant on May 26, 1919, filed in the above-entitled matter a supplemental petition in which it reports that up to April 30, 1919, it has expended on capital account the sum of \$148,444.73, against which no bonds have been issued; that under the provisions of its mortgage it is permitted to issue because of expenditures on capital account up to April 30, 1919, bonds in the amount of \$118,755.78; and

Whereas the engineering department of the Railroad Commission has checked applicant's expenditures and finds such expenditures to be reasonable and proper charges on capital account; now, therefore,

It is hereby ordered that Southern Counties Gas Company of California be and it is hereby granted authority to sell, at not less than 83 per cent of their face value plus accrued interest, \$118,500.00 face value of its first mortgage 5½ per cent bonds and use the proceeds obtained from the sale of said bonds to pay in part its expenditures on capital account reported in Exhibit "A" attached to the supplemental petition filed May 26, 1919, in the above-entitled matter.

It is hereby further ordered that the order in Decision No. 6027, dated December 26, 1918, shall remain in full force and effect, except as modified by this first supplemental order.

Dated at San Francisco, California, this third day of June, 1919.

DECISION No. 6373.

IN THE MATTER OF THE APPLICATION OF SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AUTHORITY TO ISSUE, SELL AND DISPOSE OF ONE HUNDRED SEVEN THOUSAND DOLLARS FACE VALUE OF ITS FIRST MORTGAGE FIVE PER CENT GOLD BONDS AND TWO HUNDRED SEVENTY-FOUR THOUSAND TWO HUNDRED DOLLARS PAR VALUE OF ITS PREFERRED STOCK.

Application No. 4488.

Decided June 3, 1919.

SECURITIES, ISSUE OF.—WORKING CAPITAL.—SUPPLIES.—A public utility will be permitted to issue securities for the purpose of increasing its working capital to an amount equal to that allowed in a rate-fixing inquiry, but will not be permitted to issue securities to purchase construction materials when it also intends to issue securities to pay for estimated extensions to be made during the next year.

Applicant authorized to issue \$107,000.00 face value of bonds to be sold at not less than 88 and \$226,900.00 par value of preferred stock to be sold at not less than par, less a 5 per cent brokerage commission, the proceeds thereof to be used to increase working capital and for additions and betterments to plant.

Sweet, Stearns & Forward and Chickering & Gregory, by A. L. Chickering, for Applicant.

LOVELAND, *Commissioner.*

OPINION.

San Diego Consolidated Gas and Electric Company, in its amended application, asks permission to issue and sell \$107,000.00 of its first mortgage 5 per cent bonds, due March 1, 1939, and \$274,200.00 par value of its 7 per cent preferred stock.

In Schedule No. 1, attached to the petition herein, applicant reports that on February 28, 1919, it had \$2,955,000.00 of common, \$718,500.00 of 7 per cent preferred stock outstanding.

In Schedule No. 1, applicant reports also the following indebtedness:

First mortgage interest bearing bonds.....	\$4,630,000.00
First mortgage bonds, pledged, noninterest bearing.....	688,000.00
Ten-year 6 per cent debenture bonds, due December 1, 1922.....	839,000.00
Two-year 6 per cent collateral trust gold notes, due September 1, 1919.....	216,500.00
Five-year collateral trust 6 per cent gold notes, due July 1, 1923.....	333,500.00
Total.....	\$6,707,000.00
Less bonds pledged.....	688,000.00
Total interest bearing funded debt.....	\$6,019,000.00
Notes payable.....	74,000.00
Accounts payable.....	269,486.73
Grand total.....	\$6,362,486.73

In revising applicant's gas rates, the commission, in Decision No. 6281, dated April 23, 1919, used as a rate base \$3,387,664.00 and in revising applicant's electric rates a rate base of \$4,625,786.00, making a total of \$8,013,450.00.

In its petition applicant reports uncapitalized expenditures as of February 28, 1919, amounting to \$60,927.21. Upon checking the figures submitted by applicant in the petition herein and in Application No. 3998, it was discovered that in the preparation of this application there was omitted an item of \$51,003.00. The \$51,003.00 represents earnings invested in property against which no securities should be issued and was so reported in Application No. 3998. Upon having his attention called to the omission, H. H. Jones, president of San Diego Consolidated Gas and Electric Company, in a letter of May 19, 1919, requested that applicant be permitted to modify its statement of uncapitalized expenditures accordingly and to amend its application reducing the amount of stock applied for from \$325,200.00 to \$274,200.00.

In Schedule No. 5, applicant submits an estimate of its construction expenditures from February 28, 1919, to June 30, 1920. A summary of the schedule shows the following:

Department	Feb. 28, 1919, to Dec. 31, 1919	First six months, 1920	Total to June 30, 1920
A—Gas department:			
Production capital.....	\$51,000 00	\$27,600 00	\$78,600 00
Transmission capital.....	34,600 00	30,500 00	65,100 00
Distribution capital.....	35,500 00	30,000 00	65,500 00
Total gas department.....	\$121,100 00	\$88,100 00	\$209,200 00
B—Electric department:			
Production capital.....	\$6,900 00	\$7,800 00	\$14,700 00
Transmission capital.....	16,000 00	6,000 00	22,000 00
Distribution capital.....	87,000 00	59,200 00	146,200 00
Total electric department.....	\$109,900 00	\$73,000 00	\$182,900 00
C—General capital.....	\$14,200 00	\$25,500 00	\$39,700 00
Total all departments.....	\$245,200 00	\$186,600 00	\$431,800 00

The amount of stock and bonds which applicant asks permission to issue is in part based upon its estimated construction expenditures for extensions, additions and betterments to its plant on or before June 30, 1920. It is possible that applicant's actual construction expenditures up to June 30, 1920, may be less or they may even be in excess of the amount set forth in Schedule No. 5. While authority is herein granted to issue stock and bonds in an amount which should enable applicant to pay for the construction expenditures reported in this application, it is, of course, understood that the commission is primarily interested in the installation of the extensions, additions and betterments as and when necessary rather than the distribution of such construction over the period ending June 30, 1920.

Applicant asks permission to issue preferred stock for the purpose of increasing its working capital from \$300,000.00 to \$433,300.00. It alleges that it requires \$233,300.00 of cash working capital and \$200,000.00 to be invested in materials and supplies. The testimony shows that the commission in its recent rate decision allowed applicant \$386,000.00 for working capital, an increase of \$86,000.00 over the amount allowed in a former decision. H. H. Jones testified that the company should, in addition to the \$386,000.00, be allowed some cash working capital for the purpose of purchasing construction materials and supplies. The testimony of H. H. Jones is not persuasive under the facts of this case. We are here dealing with a utility which was a going concern and on a dividend paying basis on March 23, 1912, the effective date of the Public Utilities Act. Presumably some stock or securities were issued prior to that date for the purpose of providing working capital. Since then the commission has authorized the issue of stock, yielding applicant \$300,000.00 for working capital purposes. Moreover, in this application, applicant sets forth its estimated construction expenditures up to June 30, 1920, and asks permission to issue stock and bonds to pay for the same. The necessity for authorizing the issue of an additional amount of stock to purchase construction materials does not seem to be necessary at this time. The amount of stock which applicant may issue to increase its working capital will therefore be limited to \$86,000.00.

In its petition, applicant requests permission to sell its bonds at not less than 82, or on an approximate 6½ per cent basis. None of the bonds of this company, since March 23, 1912, have been sold at so low a price. H. H. Jones does not look with favor upon the sale of these bonds at 82. Neither am I inclined to recommend their sale at that figure. It occurs to me that a company which reports that it is earning more than two and one-half times its bond interest, which has regularly paid a 7 per cent dividend on its preferred stock and has paid 10 per cent dividends on its common stock during 1914, 1915, 1916 and 1917 and 9 6/10 per

cent in 1918, should be able to sell its bonds, which constitute a first lien on its properties, on at least a 6 per cent basis or for not less than 88. If for any reason applicant is unable to sell the bonds at 88 or more, it may hereafter file a supplemental petition for permission to pledge them at such a ratio which may be approved by the Railroad Commission.

Applicant has since 1915 issued \$718,500.00 par value of its 7 per cent preferred stock. This stock has been sold at an average price of slightly more than par. The stock applied for herein applicant intends to issue at par but asks permission to pay a 5 per cent brokerage fee on all stock sold by brokers. No brokerage fee will be paid on stock sold by applicant's officers or employees.

I herewith submit the following form of order:

ORDER.

San Diego Consolidated Gas and Electric Company having applied to the Railroad Commission for permission to issue stock and bonds, a public hearing having been held, and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is, as herein authorized, reasonably required for the purpose or purposes specified in the order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that San Diego Consolidated Gas and Electric Company be and it is hereby granted authority to issue \$107,000.00 of its first mortgage 5 per cent bonds, due March 1, 1939, and \$226,900.00 par value of its 7 per cent preferred stock, upon the following conditions and for the following purposes:

1. The stock herein authorized to be issued shall be sold by applicant for par, less a 5 per cent brokerage fee on such stock as may be sold by brokers.
2. The bonds herein authorized to be issued shall be sold by applicant for not less than 88 per cent of their face value, plus accrued interest.
3. Applicant may use \$86,000.00 of the proceeds, obtained from the sale of the stock herein authorized, to increase its working capital from \$300,000.00 to \$386,000.00. The remainder of the proceeds from the sale of the stock and the proceeds from the sale of the bonds herein authorized shall be used to pay the cost of constructing such of the improvements, betterments and extensions referred to in the petition herein and in the schedules attached thereto as is not paid through the sale of the 5-year 6 per cent notes, the issue of which was authorized by Decision No. 5502, dated June 19, 1918, it being understood that applicant may sell either its 5-year notes heretofore authorized or the stock and bonds herein authorized to pay for the construction of the

improvements, extensions and betterments referred to in the petition herein and schedules attached thereto. Any proceeds from the sale of the stock and bonds herein authorized not used to pay for said improvements, extensions and betterments shall be expended only for such purposes as the Railroad Commission may authorize in a supplemental order or orders.

4. Applicant shall file with the Railroad Commission a copy of its monthly construction expenditures or statement, such statement to be similar in form as that prepared for its officers or employees.

5. San Diego Consolidated Gas and Electric Company shall keep such record of the issue and sale of the bonds and stock herein authorized and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

6. The authority herein granted shall not become effective until applicant has paid the fee prescribed by section 57 of the Public Utilities Act.

7. The authority herein granted shall apply only to such bonds and such stock as may be issued on or before June 1, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this third day of June, 1919.

DECISION No. 6374.

IN THE MATTER OF THE APPLICATION OF CHAS. O. BELL, MANAGER FOR SAMUEL P. M. LINDSAY, FOR AUTHORITY TO INCREASE THE ROUND TRIP PASSENGER FARE BETWEEN LONG BEACH AND AVALON FROM ONE DOLLAR TWENTY-FIVE CENTS TO ONE DOLLAR FIFTY CENTS IN CONNECTION WITH THE STEAMER "NELLIE."

Application No. 4568.

Decided June 3, 1919.

Due to heavy increases in the cost of fuel and labor, applicant is granted permission to increase its rate from \$1.25 to \$1.50 for transportation of passengers, round trip, Long Beach to Avalon, such increase to be effective within thirty days.

Chas. O. Bell, in propria persona.

LOVELAND, *Commissioner.*

OPINION.

This is an application by Chas. O. Bell, acting as manager for Samuel P. M. Lindsay in the operation of the steamer "Nellie," for

authority to increase the round trip passenger fare between Long Beach and Avalon from \$1.25 to \$1.50.

It is alleged that because of the increased cost of both labor and fuel that the service can not be performed during the coming season at the rate now in effect. Applicant owns one steamer named the "Nellie," valued at \$12,000.00. No other property of any consequence is employed in the service and no offices are maintained although applicant participates in the information bureaus located in the Chamber of Commerce and on the pier at Long Beach, incurring a total expense of \$20.00 per month.

The distance from Long Beach to Avalon, Catalina Island, and return is sixty-two standard miles. The rate of \$1.25 was established August 27, 1917, at which time operating costs were much lower than at present. In justification of the changed fare applicant especially refers to the fact that fuel distillate has increased from $4\frac{1}{2}$ cents and $7\frac{1}{2}$ cents per gallon paid in 1917 to $13\frac{1}{2}$ cents per gallon in 1919; also that in 1917 members of the steamer's crew were secured for \$2.50 per day, while this class of labor is now receiving from \$3.50 to \$5.00 per day.

Another reason advanced for the proposed increase in fare is that through a ruling of the federal inspectors the carrying capacity of the vessel has been reduced; in 1917 125 passengers was the maximum permitted per trip, now the vessel is allowed to carry but 85 passengers per trip during the summer season, May 15 to September 15, and only 57 passengers per trip during the balance of the year, termed the winter season. The steamer makes but one round trip daily, and has an average of 40 passengers per trip. No freight is handled.

It is claimed there was a loss of approximately \$3,500.00 during the season of 1918, but a heavier volume of traffic is expected in 1919 and it is believed there will be a profit during the coming year under the round trip rate of \$1.50.

Applicant is in competition with the Wilmington Transportation Company, which operates from San Pedro and charges \$2.25 for the round trip to Avalon. This latter company, however, employs fine large vessels and renders a service superior to that given by the steamer "Nellie." The traffic handled by applicant consists almost entirely of pleasure seekers and vacationists, which probably accounts for the fact that no opposition of any kind was presented at the hearing, although notification was given to the public through the press and by direct invitation to the city officials and commercial organizations.

I am of the opinion that this applicant has sustained the burden of showing that the present fare is unremunerative under existing conditions and that the proposed round trip fare of \$1.50 between Long Beach and Avalon is just and reasonable. I therefore recommend that the application be granted.

ORDER.

Chas. O. Bell, acting as manager for the Samuel P. M. Lindsay Company, having filed an application for authority to increase the round trip fare in effect between Long Beach and Avalon, Catalina Island, from \$1.25 to \$1.50, and the Railroad Commission after a formal hearing finding that the showing made is sufficient to justify the increase asked,

It is hereby ordered that the application herein be and it is hereby granted and the rate of \$1.50 is authorized to become effective upon filing of proper tariffs with this commission within thirty days from the date of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this third day of June, 1919.

DECISION No. 6375.

LOUISE S. FULLER

vs.

UNION TRACTION COMPANY.

Case No. 1296.

Decided June 3, 1919.

Complaint against present rates of respondent company between Marine View Cove and Santa Cruz, is dismissed, it being held that the rate is not excessive as compared with fares between other points served by defendant company which is operating at present at a considerable annual loss.

Mrs. Louise S. Fuller, in propria persona.

S. Waldo Coleman, for Union Traction Company.

LOVELAND, Commissioner.

OPINION.

Complainant, an individual residing in the vicinity of Marine View avenue, situated between Santa Cruz and Capitola, on behalf of herself and other residents of the community, prays for the establishment of a five-cent fare between Marine View avenue and Santa Cruz, also for a thirty-minute service between these points, and for the erection of a shelter at Marine View avenue.

The answer to the complaint denies that fare of five cents is reasonable for transportation between the points in question. As to the

shelter at Marine View avenue, it denies the necessity therefor, but expresses a willingness, as a matter of accommodation, to furnish lumber for the building and to paint same, provided the people of the district will attend to its construction.

Similar denial is made with respect to half-hourly service; defendant, however, announcing a willingness to extend the present service by causing its Santa Cruz-Seabright avenue car to make two trips on Sunday mornings beyond Seabright avenue, the terminus, to Marine View avenue, which, it is stated, will substantially reduce the lay-over time in Santa Cruz of those desiring to attend church in the morning. At the hearing complainant withdrew that portion of complaint referring to half-hourly service and the erection of shed at Marine View avenue. This opinion and order, therefore, will deal only with the question of passenger fare between the points mentioned.

The fare complained of became effective August 17, 1918. Prior to that date the tariff of defendant provided fare of five cents within the Santa Cruz limits, which were defined as the city limits on the west and Twin Lakes Station on the east; also a five-cent fare between Capitola and Twin Lakes. Passengers traveling between Capitola and points within the Santa Cruz city limits were charged combination of these fares, or ten cents, except where books were purchased containing fifteen tickets for \$1.00.

Application was made by defendant to increase its fares and, effective August 17, 1918, in compliance with order of the commission in Application No. 3805, Decision No. 5660, of August 10, 1918, defendant issued its new passenger tariff providing for one-way fare of six cents within the Santa Cruz city limits and to and including Twin Lakes; also a fare of six cents between Twin Lakes and Capitola and intermediate points. In lieu of the former book of fifteen tickets for \$1.00 there was placed on sale for transportation between Santa Cruz and Capitola and intermediate points, such as Marine View avenue, a book of ten tickets for \$1.00, which tickets were transferable and, therefore, available to any person holding same.

Defendant contends that on account of its financial condition the present single fare of twelve cents between Santa Cruz and Marine View avenue should not be reduced.

In Application No. 3805, *supra*, it was shown that defendant has outstanding against its property first mortgage five per cent bonds amounting to \$631,000.00, on which no interest has been paid since August 1, 1915, the balance sheet of December 31, 1917, showing an item of \$76,245.86, representing unpaid interest, and other accounts payable to the amount of \$12,859.27. It was also there shown that after deducting from its earnings, operating expenses and certain fixed charges, a recurring annual net loss resulted, the deficit for the last twelve months'

period stated, viz, the calendar year 1917, being \$18,422.73. These figures were supplemented at the hearing by exhibits filed on behalf of defendant showing a deficit of \$24,611.36 for the year 1918 and \$6,888.47 for the months of January and February, 1919. Subsequently, the commission instructed its auditing department to prepare figures showing the effect of operation for the months of March and April, 1919, from which it is ascertained that after making all deductions defendant encountered a deficit of \$5,659.45 for the month of March and for April a net loss of \$5,484.23.

While it is true the early months of the year represent the period when the tide of travel is at ebb and with the approach of the summer season a more favorable showing may be expected, at the same time it is fair to assume, judging by the record for preceding years, that the operations for the entire twelve months of 1919 will result in a considerable loss.

It was the contention of complainants and supporting witnesses that the increase in fare to and from the Marine View avenue district by virtue of authority granted in Application No. 3805, *supra*, has had the effect of diminishing street car travel between that territory and Santa Cruz and that if the fare limit point were extended from Twin Lakes to at least Schwan Station located between Twin Lakes and Marine View avenue, much benefit would accrue to the transportation company in the shape of augmented revenue.

As nothing more than the opinion of complainant's witnesses was offered in substantiation of this assertion, it was stipulated at the suggestion of the commissioner that defendant make a check of travel to ascertain if the increase in fare, effective August 17, 1918, had made any material difference in the number of passengers traveling between these points. Defendant has furnished the information requested, which has been analyzed by the commission and the conclusion reached that it fails to show any noticeable diminution in patronage as result of the advanced fare authorized in the aforementioned application.

Approaching this question from the viewpoint of reasonableness per se of the existing fare adjustment, it will be enlightening to contrast the service performed in connection with the fare complained of with that rendered at other sections of defendant's line under substantially similar transportation conditions.

The major portion of this company's revenue is obtained from travel during the summer months, the remaining portion of the year being very quiet. It is well known that Santa Cruz is essentially a residential city, and the busy period is the tourist or summer season, when the beach attractions are open. Such being the case, the Casino may be considered the important terminal of the line, and taking distances from the Casino to the different termini in Santa Cruz, where a six cent fare

prevails, and comparing same with the journey to Twin Lakes, the fare-breaking point on the east, it will be seen that the latter enjoys approximately the same length of haul as other places situated in the six-cent zone, which is evidenced by the following:

Casino to Twin Lakes	3.51 miles
Casino to Laveaga Park	3.29 miles
Casino to Ocean Cliffs	3.62 miles

If the fare limit point on the Capitola line were extended to Schwan the length of haul from the Casino terminal would be increased to 4.03 miles and to Marine View avenue 4.12 miles, which would have the effect of creating a discrimination as between localities, in violation of the Public Utilities Act of the state of California.

There was no evidence offered to show that traffic to and from Twin Lakes and Marine View avenue sections lends itself to more favorable transportation conditions than does that at Santa Cruz proper. In view of the insufficiency of the evidence in this respect, coupled with the financial status of defendant, as set forth in the foregoing, it is my conclusion and I hereby find as a fact that complainant has failed to show the existing fare between Santa Cruz and Marine View avenue to be unreasonable and that the complaint should be dismissed.

The following form of order is submitted:

ORDER.

Complaint and answer having been filed in the above-entitled proceeding, a public hearing having been held, the commission being fully apprised in the premises, and basing its order on the findings of fact which appear in the foregoing opinion,

It is hereby ordered that the complaint be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this third day of June, 1919.

DECISION No. 6378.

IN THE MATTER OF THE APPLICATION OF B. H. STEFFEN, DOING BUSINESS UNDER THE FIRM NAME AND STYLE OF CHICO VECINO WATER COMPANY, FOR PERMISSION TO INSTALL METERS, CHARGE DEPOSITS FOR SAME, ESTABLISH A MINIMUM RATE AND REVISE THE PRESENT SCHEDULE OF CHARGES.

Application No. 4255.

Decided June 3, 1919.

B. H. Steffen, in propria persona.

C. C. Cooper, in propria persona.

Samuel J. Nunn, in propria persona.

BY THE COMMISSION.

OPINION ON APPLICATION FOR REHEARING.

Applicant petitions for a rehearing, alleging that the rates authorized by Decision No. 6253, of April 14, 1919, will not produce the annual charges shown, because the conditions in the territory served by applicant preclude even the minimum use of water shown in the schedule authorized by the commission. The conditions referred to are not stated in the petition.

A public hearing was held by Examiner Westover at Chico on May 28.

As shown by the decision referred to, the rates authorized were based upon the assumption, in the absence of adequate data of applicant, that water use and service would be about the same as that in other localities similarly situated.

Applicant testified on rehearing that the district served by him in Chico Vecino has no sewers, and that of the 265 service connections on his system, less than 35 per cent are connected with cesspools or septic tanks; that 135 connections are to houses having no sanitary conveniences and no lawns, although the majority of them have kitchen sinks; and that 110 houses on his system have lawns and sanitary conveniences. He also testified that owing to the hot summers, over 10 per cent of his consumers usually discontinue service and move away during the hottest months; that he had 29 such disconnections last summer, and 12 such disconnections during May, 1919.

Since the original hearing, applicant has installed meters on practically all services. The new rates have not been placed in operation, the effective date of the original order having been extended by the commission pending the determination of the petition for rehearing, in accordance with the usual custom. Therefore, there has been no actual test of the new rates and their effect upon the revenue.

Applicant testified that he had just finished reading the meters for May, 1919, and made a computation showing what the revenue for the first 27 days in May would be at the new rates authorized, from which computation it appeared that if the new minimum charge of \$1.00 were to include 300 cubic feet of water instead of 500 cubic feet, it would be satisfactory to him, and would probably produce sufficient revenue. From the showing made for the first time on rehearing, that so many of applicant's consumers use a very small quantity of water, and that so many discontinue service for a considerable part of the year, we are satisfied that this modification in the rate schedule should be made, and that the new schedule of metered rates should be placed in effect at once.

Several consumers appeared at the hearing and complained of poor pressure on that portion of the system acquired from J. A. McFeeley, and that their consumption of water would have been much larger if the water had been available when needed, but that the pressure had been largely improved just before the hearing. It appeared from the testimony that the poor pressure was probably due to the fact that a valve supposed to be open had, through misunderstanding, been left closed, and that by keeping an adequate supply of water in the tank on applicant's 80-foot tower, and keeping the pipes free of obstructions, there should be adequate pressure throughout the system. The increase in rates is authorized upon the understanding that applicant will furnish adequate service.

ORDER.

B. H. Steffen having applied to the Railroad Commission for a rehearing and modification of the order contained in Decision No. 6253 of April 14, 1919, and the following modification appearing by the testimony to be justified.

It is hereby ordered that the rate schedule set forth in said order be and it is hereby modified to read as follows, as requested, said new schedule of rates to be applied to meter readings for water service during May, 1919.

Monthly Metered Rates.

First 300 cubic feet, per month.....	\$1 00
Between 300 and 2,000 cubic feet, per 100 cubic feet.....	15
Over 2,000 cubic feet, per 100 cubic feet.....	12
Minimum monthly charge.....	1 00

Dated at San Francisco, California, this third day of June, 1919.

DECISION No. 6379.

IN THE MATTER OF THE APPLICATION OF INTERURBAN LAND COMPANY FOR PERMISSION TO DISCONTINUE THE SALE OF WATER OR FOR AN INCREASE OF RATES.

Application No. 4299.

Decided June 3, 1919.

Applicant, showing operating expenses for the last year totaling \$4,869.00 with an operating revenue of less than \$1,000.00, is authorized to discontinue its water service, provided it continue to furnish water to existing consumers during the remainder of the present irrigating season.

R. W. Higgins, for Applicant.

BY THE COMMISSION.

OPINION.

This is the application of the Interurban Land Company, a public utility engaged in serving water in the vicinity of Santa Paula, California, for an order of this commission authorizing applicant to discontinue said service.

The Interurban Land Company has been serving water in the vicinity of Santa Paula to owners of land thereabouts since the year 1906. Within the past three years subterranean water has been developed by its consumers until in the year 1918 applicant received a revenue of less than \$1,000.00, which is approximately 10 per cent of the revenue which it enjoyed in former years. Owing to the development of this other water source, its service is now confined to eight consumers whose irrigated properties have an area of 363 acres. In order to obtain this revenue of less than \$1,000.00, in the year 1918 applicant spent the following amounts:

Repairs to ditch.....	\$998 90
Pipe repairs.....	126 05
Power.....	2,516 10
Salaries.....	770 00
Oil, etc.....	85 47
Taxes and insurance.....	372 50
Total	\$4,869 02

Testimony shows that there is no possibility of applicant obtaining more consumers or a demand for any greater area to irrigate than that which is at present being irrigated. On the contrary it was testified at the hearing that some of the present consumers are now drilling wells in anticipation of securing their own supply of water. The books of the applicant place the value of the distributing system at \$44,310.10. D. M. Boyd, manager and director of the plant, testified that if allowed

to discontinue the service it was the applicant's plan to scrap the physical properties, which scrap value had been appraised by an engineer hired for that purpose by the company, at \$7,500.00. In addition to the scrap value of the distributing system, applicant owns a superintendent's house, about two acres of land surrounding same, water rights, etc.

At the hearing applicant requested that it be allowed to discontinue service or sell the distributing system, pumps, etc., to the consumers for the sum of \$8,250.00, or have the commission fix a rate which would be compensatory in the premises.

It will be seen from a statement of the revenues and expenses of this company, exclusive of any return on investment or depreciation, that in order to obtain the power maintenance and operating expenses necessary to the conduct of the business and serve the present consumers, that it will be necessary to sell water at the rate of \$2.00 per miner's inch day, which rate is absolutely prohibitive and the establishment of which would result in a loss of the few remaining consumers of applicant. There remains nothing for the commission to do but to grant the application for discontinuance.

A certain length of time will be necessary, however, for these consumers to provide themselves with water from the subterranean supply. A continuation of service by the utility during the present irrigating season will, we believe, allow ample time for the consumers to readjust themselves to new conditions.

ORDER.

Interurban Land Company, a corporation, having made application for permission to discontinue water service, a public hearing having been held in the matter, the Railroad Commission being fully advised in the premises,

It is hereby ordered that Interurban Land Company, a corporation, be and it is hereby given authority to discontinue such service on and after January 1, 1920.

Dated at San Francisco, California, this third day of June, 1919.

DECISION No. 6380.

J. MEYER

vs.

SIERRA AND SAN FRANCISCO POWER COMPANY.

Case No. 1303.

Decided June 3, 1919.

Defendant directed to construct at its own expense an extension to enable it to render service to one of the pumping plants of complainant, for which service application has been standing for a considerable period of time, provided complainant sign a three-year contract for such service, also to construct such other extensions as complainant may require under its regular rules governing same as established by Decision No. 6381.

H. S. Craig, for J. Meyer.

Chickering & Gregory, by A. C. Van Fleet, for Defendant.

MARTIN, *Commissioner.*

OPINION.

Complainant, J. Meyer, asks that defendant be required to furnish and deliver to him forthwith the necessary electric power required to operate certain pumping plants located on property near Avena, San Joaquin County, designated as lot No. 13, Avena Colony No. 1, in section 14, and lots Nos. 34 and 51 of Avena Colony No. 4, in section 15, all in township 1 south, range 8 east, Mount Diablo Base and Meridian, which property complainant alleges has been leveled, checked and ditched ready for irrigation and on which complainant has installed irrigation pumps and electric motors. Complainant further alleges that on or about the month of May, 1917, complainant made written application to defendant for electric power to be used for pumping water for irrigation purposes on the property of said complainant in San Joaquin County, and by assurance that defendant would supply the necessary electric power complainant put in the necessary irrigation pumps and motors, but that upon repeated requests and demands that service be furnished complainant, defendant has failed, neglected and refused to furnish the necessary power. Complainant further requests that defendant be punished for contempt.

Defendant in its answer denies that complainant made written application for power service in the month of May, 1917, but only wrote that he, complainant, intended to contract for a minimum of 50 horsepower; that later, after discussion in October, 1917, he signed a contract for but 28 horsepower located in five plants, two of which have not, of defendant's knowledge, ever been completed or ready for service.

The evidence herein is to the effect that complainant desires electric power service for four pumping plants of 5, 15, 20 and 50 horsepower, respectively, for the pumping of water for irrigation purposes. The complainant testified that he has several hundred acres ready for irrigation and desires to plant 150 acres of tomatoes and at least 200 acres of rice, as well as other crops, this season; that failure to obtain the water will result in the entire loss of these crops.

It appears that his 5 and 15 horsepower plants are practically ready for service; that wells have not been dug at the two other locations or pumping plants installed but that the plants can be ready for operation within one or two weeks after service is guaranteed. The 5 and 15 horsepower plants are located in Avena Tract, each within a distance of from 500 to 600 feet of defendant's lines.

The evidence shows that the cost of serving these two plants, based upon estimates prepared during the early part of the season under higher price conditions than now exist, would be \$400.00 and \$600.00 respectively. The 20 horsepower plant would require an additional expenditure of approximately \$1,200.00 and the 50 horsepower motor an additional sum of approximately \$1,500.00, making a total expenditure to serve the plants, for which service is requested of \$3,700.00. Costs under present prices according to revised estimate submitted May 13, 1919, is \$3,188.98.

The revenue to be obtained from these plants is problematical, although complainant stated his willingness to guarantee a return equal to $33\frac{1}{3}$ per cent of the cost of the extensions after this year's operations.

It appears that negotiations regarding service at the location of the 5 horsepower plant and for certain other plants have been going on for at least the last two years. Complainant testified that he had been promised that the service would be rendered upon application, but had failed to receive the service. It appears that although some negotiations were entered into regarding possible service to the 15 horsepower motor yet no definite written application was apparently made prior to 1918.

I feel that defendant has a moral obligation to serve the 5 horsepower motor at its own cost. I can not but believe that complainant was given encouragement to go ahead with this plant and that, considering the fact that that application has been of long standing, special consideration should be given to this installation. As regards the other installations, however, I believe that complainant should be required to comply with the same rules as the company has been authorized to make effective for its general service.

I recommend the following form of order:

ORDER.

J. Meyer having filed his complaint against the Sierra and San Francisco Power Company demanding the defendant be required to deliver forthwith to him the necessary electric power required to operate certain pumping plants, a hearing having been held and the matter having been submitted and now ready for decision,

It is hereby ordered that Sierra and San Francisco Power Company be and the same is hereby ordered to make without delay, at its own expense, the necessary extension and render service to that certain proposed pumping plant of J. Meyer located on lot 13 of plat of Avena and Avena Colonies designated as "A" and complainant's Exhibit No. 1 in this proceeding, provided applicant shall sign a contract for a period of three years for electric service from defendant.

It is hereby further ordered that Sierra and San Francisco Power Company extend its electric distribution lines and install the necessary equipment to render service without delay to such other plants as complainant desires service to, provided complainant complies with the rules and regulations regarding the making of extensions as set forth in this commission's Decision No. 6381 this day issued in Case No. 1317.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this third day of June, 1919.

Decision No. 6381.

**IN THE MATTER OF THE PRACTICE OF SIERRA AND SAN FRANCISCO
POWER COMPANY AS TO EXTENSIONS FOR ELECTRIC SERVICE,
ON THE COMMISSION'S OWN MOTION.**

Case No. 1317.

Decided June 3, 1919.

EXTENSIONS—EFFECT ON EXISTING SERVICES.—An electric generating and distributing utility should not be called upon to use up its limited available capital in the construction of extensions to serve new consumers if such expenditures would result in an impaired service to existing consumers.

EXTENSIONS—ADVANCES BY CONSUMERS.—In general a utility should make all reasonable extensions at its own expense; however, when it is not financially able, it is not unfair to require prospective consumers to temporarily advance sufficient funds for such work.

UTILITY FINANCING.—It is the duty of a public utility to so finance itself as to enable it to fulfill its obligations to consumers and enlarge and maintain service. If its financial structure is such as to make reasonable financing impossible, drastic steps should be taken to remedy such condition.

Rules established for the construction of extensions to new consumers providing that all extensions costing less than \$75.00 shall be made at the expense of the utility; those costing in excess of \$75.00, the entire cost to be advanced by the prospective consumer and also providing for interest on such advancements and the return thereof.

Chickering & Gregory, by *A. C. Van Fleet*, for Defendant.

H. S. Craig, for *J. Meyer*.

D. Grundy, *in propria persona*.

Wm. Clauson, for Valley Home.

J. W. Graves, for Manteca Board of Trade.

MARTIN, *Commissioner*.

OPINION.

This is a proceeding brought by the commission on its own motion for the purpose of determining a just and reasonable rule which Sierra and San Francisco Power Company shall follow in the matter of making extensions of its electric distribution system to serve applicants for service. This proceeding was instituted by order of the commission on the twenty-fifth day of April, 1919. The order instituting the proceeding states in part as follows:

"It is hereby further ordered that Sierra and San Francisco Power Company appear at said time and place and show cause why it should not be required to make at its own expense all electric light and power extensions for domestic, residence or commercial service when the cost of said extension is less than \$75.00 per consumer or such other or less amount as the commission may find reasonable; and further, to show cause why it should not be required to make all extensions for domestic, residence, commercial or agricultural service at its own expense when the cost of said extension exceeds \$75.00 per consumer and when the gross revenue to be derived from the service from said extension shall equal or exceed 25 per cent of the cost of the same."

Numerous complaints had been received by the commission from prospective consumers desiring electric service for light, heat and power purposes from the Sierra and San Francisco Power Company, and it appeared that, owing to the refusal of defendant to make extensions except upon the advancement by the applicant of the entire cost of the same, the commission should, upon its own motion, investigate fully the practice of the utility and thereafter fix definite rules which should be followed by defendant in the making of extensions for electric service.

A hearing in this matter was held at Modesto on May 9, 1919, at which time defendant in this proceeding introduced evidence supporting its practice, and evidence was introduced by various applicants for service regarding the needs for additional power service in the San

Joaquin Valley served by defendant and the demands made upon defendant for service which had not been complied with.

It appears that there are a large number of applications for electric service for lighting and power, especially in the San Joaquin district of the Sierra and San Francisco Power Company, the larger number of these coming from the towns of Manteca, Modesto, Turlock and adjacent territory. In the town of Manteca there are several groups of houses service for which has been applied for but which have not been served due to the refusal of defendant to extend its lines. Similar conditions to a less degree exist in the towns of Turlock and Modesto, and there are a number of applicants for light and power service in the rural districts which have not been served by defendant.

In the San Joaquin district of defendant, during the period from November 1, 1918, to April 30, 1919, 187 applicants for service requiring only service and meter installation were served by defendant without charge to the applicants. Fifty applicants, largely for power service, advanced the cost of extending service and have been connected or extensions are being made. The amount advanced totaled \$19,406.00. On April 30, 1919, there were 125 applicants for service in the San Joaquin district who had not received service because of the failure to advance the cost of the extensions which the company required. Defendant's exhibits segregate these latter extensions into the following classifications:

	Estimated cost	Estimated revenue
1. Extensions, the estimated annual revenue from which is less than 25 per cent of cost.....	\$37,077	\$3,471
2. Extensions, the estimated annual revenue from which is between 25 per cent and 33½ per cent of cost.....	5,014	1,460
3. Extensions, the estimated annual revenue from which exceeds 33½ per cent of the cost.....	5,754	2,414

An analysis of the exhibit leads to the conclusion that defendant has been low in its estimated revenue and that the actual results would show a somewhat greater amount of expenditures in classes Nos. 2 and 3.

The practice of defendant has been to require applicants to advance the total cost of the extension except where same was less than \$50.00. Interest at 6 per cent per annum was paid on the amount on deposit where the annual return was greater than one-third the cost of the extension. The amount advanced was to be refunded at 20 per cent of the monthly bills, a very slow method of return.

The evidence introduced by defendant in support of its position is, in general, to the effect that due to the financial difficulty which it finds itself in it is not in a position to borrow the necessary funds to make

extensions for which application has been made; that although it has had authority for practically a year to issue and sell \$1,000,000 par value of bonds it has not been able to dispose of these bonds; that due to the limitation of earning capacity of the company it does not receive from its operations sufficient funds in excess of the operating expenses, taxes and bond interest to make the necessary improvements to its system and extensions of service required; that a material amount of funds are necessary to enlarge its production and transmission facilities in addition to the distribution extensions applied for by consumers, and that due to these limiting conditions defendant is not able to raise the funds which would be necessary to make, at its own expense, additions and betterments to its property.

Authority was granted defendant to increase its rates by this commission's Decision 5867, issued October 22, 1918. It appears, however, that the resultant net earnings of defendant are not materially in excess of the requirements for depreciation and bond interest due to the increased operating expenses. It, therefore, appears that no material amount for extensions could be obtained from earnings to make the necessary extensions.

Evidence shows that during the period from July 1, 1918, to March 31, 1919, defendant expended \$153,000.00 in additions and betterments to its system, of which \$61,000.00 was expended largely for distribution extensions in the San Joaquin district.

Defendant's hydroelectric plants are operating to full capacity and it is necessary within the next two years that considerable development be made, costing in excess of \$1,000,000.00, in order to supply the additional requirements for power made by its consumers. From consideration of this it is apparent that if defendant expects to continue as an active growing utility it must obtain from outside sources additional monies in relatively large amounts to produce the power required by the districts it serves and meet the reasonable demands for extensions of service on its system.

In addition to the necessary developments in plant capacity certain parts of defendant's system are suffering from poor service conditions resulting from insufficient transmission circuits and defendant must, within the near future, expend large amounts of money in improving service conditions on its system.

Defendant's system is a difficult one from which to determine the exact relation between production, transmission and distribution costs owing to the fact that a large part of its power is sold at wholesale. However, it is very apparent, from the evidence herein, that defendant is required to make very material investments at this time to take care of its growing demands for power and to supply the power necessary

for those applying for service. Defendant will, on the average, be required to expend in excess of \$100.00 on production and transmission developments for each \$100.00 invested in distribution extensions to serve consumers.

In determining a rule to cover the matter of extensions in this case, consideration must be given not only to the applicants for service, but also the existing consumers upon the utility's system. If the taking on of new consumers at the utility's expense uses up the limited capital available it may readily result in poor service conditions to existing consumers and thus the benefit of not requiring applicants for service to advance the costs of the extensions would result in an over-balancing burden upon the public.

Under normal conditions defendant should make all reasonable extensions of service at its own cost and expense and not require assistance from those to be served. If at this time it is temporarily unable to fulfill its obligations in that respect, applicants for service may, I believe, in fairness, be asked to temporarily assist it by loan of funds. This plan should only be allowed during the period when the utility is financially unable to take care of the requirements for new capital for production, transmission and primary distribution additions and improvements and also make these extensions.

I am convinced that defendant is not able at this time to finance all extensions and betterments which are demanded both in extensions to applicants and extensions to its production and transmission equipment, and although the relative amount required for extensions is small, applicants for service should assist.

In coming to this conclusion I am mindful of the fact that often the requiring of advances by applicants for service results in heavy burdens on them and in some instances would be prohibitive. A fair interest return on monies advanced should be allowed on all reasonable extensions.

The conditions under which the defendant is operating must be of a temporary nature. If the company expects to continue its existence as an active utility rendering reasonable service to the public and fulfilling its obligations and continue as a monopoly in the district, it must put itself in such financial condition as will make possible financing of sufficient magnitude to enlarge its system and maintain service to meet the demands of the territory it holds itself out to serve. If its financial structure is such as to make impossible reasonable financing it is its duty to promptly remedy the same even if this requires drastic action on its part.

At this time we are faced with a practical situation which must be met. I believe it fair and reasonable that certain applicants for

service be required to temporarily advance the cost of extensions pending a time when financing can be carried on by the utility.

Defendant must exert every possible effort to obtain funds at reasonable cost to make the necessary additions to its production, transmission and primary distribution system and maintain its service at as high a standard as possible under the circumstances.

At the present time money is costing utilities in the state approximately 7 per cent or more and I believe that this rate should be paid to applicants who make advances for extensions.

Defendant has applications for a number of residence and domestic consumers and small commercial and power consumers adjacent to its lines, the cost of serving which is less than \$75.00 per consumer. It does not appear reasonable to require individual consumers for residence and domestic and small commercial purposes to advance to the company amounts for extensions where said extensions cost less than \$75.00 per consumer. The amount of money involved in this case on the part of the utility is not large and it should be its duty to make such extensions.

I recommend the following form of order:

ORDER.

The Railroad Commission of the state of California having instituted upon its own motion a proceeding to determine a just and reasonable rule by which Sierra and San Francisco Power Company shall be governed in the making of electric extensions, a public hearing having been held and the matter being submitted and now ready for decision,

It is hereby ordered that Sierra and San Francisco Power Company be and the same is hereby ordered to make effective the following rule and regulation applicable to the making of extensions for electric service:

1. The company will, at its own expense, make all extensions for service where the cost of the same does not exceed \$75.00 per consumer.
2. Where the cost of any extension for service exceeds \$75.00 per consumer the company may require that the consumer deposit with the company the entire cost of the extension, and will, upon receipt of such deposit, take steps to immediately make said extension without delay.
3. Where deposits are made by applicants for service and the annual revenue from the extension shall equal or exceed 25 per cent of the cost of the extension the company will pay interest at the rate of 7 per cent per annum from date same is deposited upon the amount on deposit and not refunded, not to exceed three times the annual revenue. The amount advanced will be refunded—one-third at the end of 12 months from date service is rendered; one-third at the end of 24 months; and one-third at the end of three years.
4. In case of extensions where the revenue is less than 25 per cent of the cost of the extension the consumer may obtain service under this rule by either guaranteeing 25 per cent revenue or constructing and maintaining that portion of the extension in excess of four times the annual revenue.

It is hereby further ordered that within thirty days from the date of this order Sierra and San Francisco Power Company shall refund any monies received from applicants for service up to the effective date of this order where the cost of the extension did not exceed \$75.00 per consumer.

It is hereby further ordered that Sierra and San Francisco Power Company shall, within thirty days from the date of this order, notify each applicant for service who has deposited money with the company for extensions of this order and to the effect that if he so desires, a new agreement may be entered into in accordance with this order.

It is hereby further ordered that within ten days from the date of this order defendant shall submit for approval of the commission a proposed form of agreement which shall be used in the taking of advances from applicants for service.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this third day of June, 1919.

DECISION No. 6382.

C. M. HARRIS ET AL.

VS.

CALIFORNIA VINEYARDS AND IMPROVEMENT COMPANY, A CORPORATION.

Case No. 1171.

IN THE MATTER OF THE APPLICATION OF THE CALIFORNIA VINEYARDS AND IMPROVEMENT COMPANY, A CORPORATION, FOR AN ORDER FIXING RATES TO BE CHARGED FOR WATER.

Application No. 4337.

Decided June 3, 1919.

E. H. Jolliffe, for Complainants in Case No. 1171.

Archie D. Mitchell, for Defendant in Case No. 1171 and for Applicant in Application No. 4337.

C. M. Harris, for Consumers in Application No. 4337.

BY THE COMMISSION.

OPINION.

The complaint in this proceeding alleges in effect that defendant, which supplies water for domestic purposes to residents of North

Cucamonga, San Bernardino County, has failed to furnish an adequate supply of water, although complainants have paid regular rates. The commission is asked to require defendant to supply sufficient water.

Defendant in its answer alleges that its articles of incorporation do not authorize it to distribute water; that it does not own the distribution system through which water is supplied; that its only source of water supply is through ownership of twenty shares of stock of Cucamonga Water Company entitling it to a flow of two miner's inches of water and that it does not at all times receive the water to which it is entitled. Defendant therefore asks that it be discharged from further obligation to deliver water and that the complaint be dismissed, or that the commission fix rates and compel Cucamonga Water Company to furnish a constant flow of water at uniform pressure.

Subsequently defendant filed the above-entitled application for increased rates, and public hearings were held in both proceedings at Upland.

California Vineyards and Improvement Company was organized about 1907 and, in connection with its other business, acquired title to about 160 lots in North Cucamonga townsite. It has assumed the responsibility for and maintained and operated the water system laid in the streets and collected rates for many years. It is undoubtedly a public utility. There are now about 80 services on the system, all metered. The present rates are \$1.00 per month for 10,000 gallons with larger amounts in proportion.

The company's only source of water supply is through ownership of 20 shares of stock of Cucamonga Water Company and the use of two additional shares not owned. Testimony shows that at times, especially during the summer months, the water supply has been inadequate by reason of low pressure in the mains of the Cucamonga Water Company. However, that company is not a party to this proceeding and it will be necessary to compel California Vineyards and Improvement Company to install a storage tank of at least 20,000 gallons capacity, to increase pressure.

Applicant herein makes no claim for a return upon any capital investment except upon 20 shares of water stock valued at \$2,000.00 and approximately \$1,000.00 worth of meters. A reasonable additional allowance for the cost of storage tank will increase this capital investment to \$3,800.00, and full provision will be made in the rate schedule for depreciation annuity on the entire distribution pipe system, as well as on meters and storage tank.

Revenues for the year 1918 were \$1,309.00 and an analysis of maintenance and operating expense and full consideration of all other

matters involved indicates that the required annual charges are as follows:

Interest at 8 per cent on \$31,800.00	\$304 00
Depreciation annuity	236 00
Maintenance and operating expenses	1,100 00
Total charges	\$1,640 00

It is estimated that the rates set out in the following order will produce the necessary revenue to cover the above annual charges:

ORDER.

C. M. Harris and others having made complaint in the above-entitled proceeding and California Vineyards and Improvement Company having made application for increased rates, public hearings having been held in both proceedings, and being fully informed in the matters,

The Railroad Commission hereby finds as a fact that the service rendered by California Vineyards and Improvement Company is inadequate and that the rates charged by said company are unjust and unreasonable in so far as they differ from the rates herein established and that the rates herein established are just and reasonable rates to be charged by California Vineyards and Improvement Company for water delivered to consumers in North Cucamonga and vicinity.

Basing this order upon the foregoing findings of fact and upon the findings contained in the opinion preceding the order,

It is hereby ordered that California Vineyards and Improvement Company deliver to its consumers an adequate supply of water, and file with the Railroad Commission, within twenty days of the date of this order, detailed plans for the improvement of its water system by the installation of a tank of not less than 20,000 gallons capacity. Upon approval by the commission of the plans for the contemplated improvements the company shall proceed with due diligence thereafter to execute such plans, and shall report progress every thirty days thereafter until completion of the improvements; and

It is hereby further ordered that California Vineyards and Improvement Company be and the same is hereby authorized and directed to file with the Railroad Commission, within twenty days from the date of this order, and thereafter charge the following rates for water supplied to residents of North Cucamonga and vicinity:

Rate Schedule.

From 0 to 500 cubic feet, per 100 cubic feet	\$0 20
From 500 to 1500 cubic feet, per 100 cubic feet	0 15
Over 1500 cubic feet, per 100 cubic feet	0 12
Monthly minimum payment	1 00

Dated at San Francisco, California, this third day of June, 1919.

DECISION No. 6383.

A. HANCOCK, C. S. FILLMORE, E. E. RANKIN ET AL.

vs.

EAST SIDE CANAL COMPANY, KERN ISLAND IRRIGATING CANAL COMPANY AND KERN COUNTY CANAL AND WATER COMPANY.

Case No. 1250.

Decided June 3, 1919.

CONTRACTS—LIMITING SERVICE.—When two utilities controlled by the same interests enter into a contract for the delivery of water from one to the other and the delivery thereof is limited to the detriment of consumers of the receiving company, the delivering utility is directed to prorate its available supply according to needs of all of its consumers and establish a suitable system of rotation delivery.

Defendant utilities directed to submit plans for rotation system of delivery and hereafter prorate their available supply of water in proportion to needs of individual consumers, also to keep all ditches in proper state of repair so as to permit of good service at all times.

James F. Farragher, for Complainants.

E. J. McCutchen and *A. Crawford Greene*, of *McCutchen, Olney & Willard*, and *W. B. Beazley*, for Defendants.

BY THE COMMISSION.

OPINION.

This case involves regulation of the distribution of irrigation water of a public utility having special contracts outstanding.

1. Pleadings.

The complaint alleges that defendant, East Side Canal Company, is a California corporation which for more than ten years has owned and operated what is known as the East Side Canal, about 20 miles long, diverting water from Kern River at a point near Bakersfield, with a right to take continuously from 100 to 150 cubic feet of water per second, which water is appurtenant to and necessary to irrigate an area of about 6,351 acres, including lands of complainants; that service to complainants' land is intermittent and uncertain and insufficient in quantity; that East Side Canal Company neglects and refuses to clean out its canal to enable it to carry its full quota of water, to keep water in the canal to its capacity, to supply complainants the water to which they are entitled, except at intervals and in uncertain quantities, or to assure them any water service for the latter part of the season; and that the other defendants have or claim an interest in or control over East Side Canal Company and its water supply and "participate in, join in,

authorize and further the said neglects." The prayer is that the commission order East Side Canal Company to place its canal in condition and divert into it and deliver to complainants and others similarly situated water to its full capacity continuously during the irrigating season.

The answer denies that said East Side Canal has the right to take or divert water from Kern River or that it has received water except from Kern Island Irrigating Canal Company, which diverts it from Kern River; that its water is received under two contracts with said Kern Island Company, dated January 2, 1894, and January 15, 1896, respectively, providing for a supply of 25 and 5 cubic second feet respectively, copies of both contracts being attached to the answer as exhibits; denies that said canal is entitled to take continuously 100 to 150 cubic second feet; denies that said water is appurtenant to, or necessary for the irrigation of said 6,351 acres of land; alleges that all water to which it is entitled under said contracts has been delivered to East Side Canal Company for use on and is appurtenant to lands aggregating approximately 6,311 acres; that East Side Canal Company has kept and maintained its canal in good condition, with capacity sufficient to carry and distribute all of the water to which it is entitled under the agreements referred to, and that it has diverted and distributed all water to which it is entitled under the said agreements, and denies that it has neglected or refused to supply to patrons of the canal water service to which they are entitled under the agreements.

The answer further alleges that Kern County Canal and Water Company is the owner of all the capital stock of the East Side Canal Company except the shares qualifying the directors, and denies that defendant Kern Island Irrigating Canal Company has or claims an interest in or control over the East Side Canal Company or its water supply or the delivery or distribution thereof, and denies that defendants have violated any of the rights of complainants or have been guilty of any neglect or refusal to discharge any obligation resting upon defendants.

2. *Hearings and submission.*

Public hearings in the case were held by Examiner Westover at Bakersfield, at which hearings complainants' case was presented and further hearings continued to a date to be set, at which time defendants might cross-examine complainants' witnesses and present evidence, if desired, after having opportunity to examine certain engineering data relating to water distribution on East Side Canal, to be prepared and filed in the form of exhibits. The last of these exhibits has been filed

and counsel have now formally submitted the case on the evidence presented by complainants.

No testimony was offered concerning the condition or capacity of the East Side Canal, or any obligation to deliver water to its full capacity during the irrigation season. The main question presented by the pleadings and testimony is whether the contracts providing for a supply of 30 cubic second feet for East Side Canal, limit its supply and the service of its patrons to that amount, and whether they are entitled to more water. No jurisdictional question is raised by either party. Defendants, Kern Island Irrigating Canal Company and East Side Canal Company are admittedly public utilities and the case was tried on that theory.

3. *Agreements by defendant Kern Island Irrigating Canal Company.*

The agreement referred to in the answer to supply water under the two contracts of January 2, 1894, and January 15, 1896, is declared to be subject to obligations incurred in prior contracts therein referred to, the first under date of December 27, 1870, between the president and board of directors of defendant, Kern Island Irrigating Canal Company and the trustees of Swamp Land District No. 111, which will be hereinafter referred to for convenience as the Swamp Land contract; and the second dated July 28, 1888, between Henry Miller et al., and James B. Haggin et al., hereafter referred to for convenience as the Water Settlement contract. We will therefore briefly review the two contracts referred to.

Under the Swamp Land contract of December 27, 1870, Kern Island Irrigating Canal Company agreed to construct and keep in repair during the corporate existence of the company certain works necessary for the reclamation of lands in Swamp Land District No. 111, including a levee sufficient in size to prevent overflow of Kern River and Kern Lake, with a permanent headgate capable of shutting out the water from Kern River, and means for carrying the water over the old channel of what is commonly known as the South Fork of the river. In consideration thereof the Swamp Land District and owners of the land therein, agreed to pay to the company \$16,240.00 and procure the necessary rights of way, each owner of swamp lands contributing to the \$16,240.00 to receive one share of stock for each \$50.00 paid, and as the contract says "at all times be entitled to a preference in the use of all water passing through said canal for irrigating and domestic purposes, and when demanded for said purposes they shall be entitled to the exclusive use of said water" under uniform rules assuring each landowner his fair proportion of all the water furnished "at rates that shall not exceed in the aggregate the sum of 10 per cent per annum on the capital stock of said company."

Summarized, the contract assured swamp land owners preferential service at limited rates, in return for aid in financing the work through purchase of stock.

The water settlement contract of July 28, 1888, was entered into by a large number of persons, corporations and canal companies claiming to collectively own all of the water of Kern River, either as riparian owners or appropriators, the purpose of the contract being to settle a large amount of litigation then pending in the courts between various parties to the contract. Under its terms (Third) Kern Island Irrigating Canal Company, one of the second parties to the contract, is entitled to all of the water in the river at all times when the water flowing at a specified point does not exceed 300 second feet; also to its proportion (as one of second parties) of two-thirds of the excess during the six summer months of March to August, inclusive, each year, and to its proportion (as one of the second parties) of all the excess during the remaining six winter months, if the water be diverted by second parties before reaching a specified point.

Defendant Kern Island Irrigating Canal Company by contract dated January 2, 1894, agreed with East Side Canal Company "subject to the conditions and restrictions contained in said agreements hereinbefore referred to, to furnish and supply to the party of the second part, at the point hereinabove designated, twenty-five (25) cubic feet of water per second, at all times when, after performing the obligations heretofore assumed by it for the supply of water, it shall have in its main canal sufficient water to enable it so to do." The consideration stated is \$3,750.00. The point of measurement is fixed at the head of East Side Canal. The agreements referred to are the Swamp Land contract and Water Settlement contract.

The subsequent contract between the same parties of date January 15, 1896, providing for an additional "amount of water equivalent to a continuous flow of 5 cubic feet per second" is identical in form with the contract of January 2, 1894, except as to the amount of water contracted for, and the statement that the consideration is \$750.00 a year.

The position of defendants Kern Island Irrigating Canal Company and East Side Canal Company is that they have discharged their full duty to complainants herein and to all other water consumers on the East Side Canal, when they have delivered an amount of water equivalent to a continuous flow of 30 cubic feet of water per second flowing at the headgate of East Side Canal, and delivered that amount less seepage losses and evaporation at users turn-outs.

It appears from the testimony that at the time of the hearing, water equivalent to a continuous flow of 30 cubic second feet until December 8, 1918, had already been delivered. It also appears in evidence that East

Side Canal Company owns and operates only the East Side Canal and that all laterals were constructed and are owned and operated by the adjacent landowners or their grantors, tenants or agents.

Defendant Kern Island Irrigating Canal Company, by contract executed March 14, 1896, with Bloomfield Land Association, agreed in consideration of the conveyance to it of an undivided one-tenth interest in the ditch or canal known as South Fork Canal and certain water rights appurtenant thereto and the payment of \$400.00 per annum, to furnish water sufficient in the judgment of the landowners to irrigate lands described aggregating about 3,350 acres, provided the water so used during any year would not exceed a continuous flow of 5 cubic feet per second, delivery to be subject to ordinary contingencies, failure of water supply and to reasonable general rules and regulations by the company; such water service to be appurtenant to the lands described and pass with it or portions of it subject to the terms of the agreement.

Defendant Kern Island Irrigating Canal Company, by contract executed May 16, 1896, with Solomon Jewett et al. agreed in consideration of the conveyance to it of an undivided one twenty-fifth interest in the ditch or canal known as South Fork Canal and certain water rights appurtenant thereto and the payment of \$150.00 per annum, to furnish water sufficient in the judgment of the land owners to irrigate lands described consisting of 320 acres, three city lots and one city block in Bakersfield, provided the water so used during any year would not exceed a continuous flow of 2½ cubic feet of water per second, unless the company, without fault on its part, should be unable to obtain from Kern River "sufficient water to fill its canal, in which event the flow to which parties of the first part shall be entitled shall be the proportion which two and one-quarter bears to the number of cubic feet which can be carried in said canal." The company also agrees to maintain one of the Jewett ditches, delivery to be subject to ordinary contingencies, failure of water supply and to reasonable general rules and regulations by the company.

Defendant Kern Island Irrigating Canal Company, by contract executed July 26, 1898, with Balfour-Guthrie Investment Company, agreed in consideration of the conveyance to it of an undivided four-fiftieths interest in the ditch or canal known as South Fork Canal and certain water rights appurtenant thereto and the payment of \$140.00 per annum, to furnish water sufficient in the judgment of the land owners to irrigate lands described aggregating about 2,560 acres, provided the water so used during any year would not exceed a continuous flow of 4 cubic feet per second, unless the company, without fault on its part, should be unable to obtain from Kern River sufficient water to fill its canal, in which event the flow to which the party of the first part shall be entitled shall be four three-hundredths of the water in the canal.

A similar agreement was made by the Kern Island Irrigating Canal Company with Manuel and Thomas Castro May 20, 1896, under which they were to convey an undivided one-eighteenth interest in Castro Ditch and receive free water service on 80 acres of land. Kern County Land Company subsequently acquired the Castro land and on June 13, 1899, as successor to the Castros, canceled the agreement by a new agreement in writing with the Kern Island Company. It therefore need not be further considered.

4. *Organization and operation of Kern Island Irrigating Canal Company.*

Kern Island Irrigating Canal Company was incorporated in October, 1870, with an authorized capital stock of \$30,000.00 divided into 600 shares of the par value of \$50.00 each. Its articles of incorporation state its objects to be "to protect from overflow and to supply with water, for agricultural, domestic and manufacturing purposes" territory generally described as south of Kern River, north of Kern Lake, east of the channel of Kern River, commonly known as "old river," and west of the east boundary of range 28 east.

About two months later it entered into the Swamp Land contract of December 27, 1870, above described, providing preferential service to owners of swamp lands within Swamp Land District No. 111. In consideration of the purchase of its capital stock to the extent of \$16,240.00 by landowners in the district, by which means its improvements were financed. The contract makes no attempt to make said defendant's stock or any water right or water service appurtenant to any particular piece of land. In terms, the contract only provides preferential service to *owners of swamp lands* in the district.

Soon thereafter the company built its main canal extending southerly about 17 miles along the west line of the district and began service of water on both sides of its canal within and without the district. Except for the contracts heretofore mentioned it has always sold and served water without specific contracts at its regularly established rates. The only other water company or water distributor which it regularly serves is defendant East Side Canal Company. There are a number of other canal companies to which Kern Island Irrigating Canal Company has customarily sold water and from which it has at times purchased water. The companies are associated with it in the manner described in the next paragraph. An exhibit showing the purchase and sale of water between said canal companies for the years 1912 and 1913, based on their reports to the Board of Supervisors, was prepared and submitted in evidence. Some of the reports by the other companies appear to be incomplete, but that of the Kern Island Company shows that it sold to other companies in 1912 water of the value of \$12,945.07 and purchased water of the value of \$808.82 or less than 6½ per cent of its

sales to other canal companies; and in 1913 it sold to other canals water of the value of \$13,475.00, and bought water from other canals of the value of \$1,601.70, or about 12 per cent of its sales to other canal companies.

Defendant Kern County Canal and Water Company is the holder of the capital stock of defendants East Side Canal Company and Kern Island Irrigating Canal Company, except the shares qualifying the directors, and of the capital stock of numerous other canal companies in the vicinity, which are closely associated in management and operation with the Kern County Land Company. The stock of defendant Kern County Canal and Water Company is owned by Kern County Land Company, except for the shares qualifying the directors.

The systems of defendants Kern Island Irrigating Canal Company and East Side Canal Company serve Kern Island water to a total of some 72,350 acres, of which about 25,000 or 30,000 acres lie in what was Swamp Land District No. 111, and in practice are given the preferential service referred to in the Swamp Land contract; about 6,430 acres are served under the contracts issued in consideration of rights in the South Fork of Kern River, under which they are accorded special rates, and 6,351 acres are served by defendant East Side Canal Company. All but the 6,351 acres are served by Kern Island Irrigating Canal Company directly.

A large portion of the area served is waterlogged, swampy land and a large area is seriously affected by innumerable "sand streaks," as they are characterized by the witnesses, or strips of sandy and gravelly soil, the abandoned beds of many small streams. It does not appear from the testimony, however, that the canals of defendants are affected by them, although they seriously interfere with the proper operation of the ditches of the irrigators. The waterlogged lands are principally in the old Swamp Land District No. 111 and appear to have received water not needed, at times when consumers on the East Side Canal were receiving insufficient water for their crop.

The company submitted an exhibit at the request of the commission, showing water deliveries at less than regular rates during the five years 1913 to 1917, inclusive, under the four contracts already described. The exhibit shows that of the total amounts of water estimated by the company to be due under the several contracts there was a total delivery under the Jewett contract of 64.5 per cent, under the Balfour-Guthrie contract of 97.3 per cent, under the Bloomfield contract of 20.6 per cent and under the Castro contract of a total of 400 cubic second feet for 24 hours.

As the latter contract was canceled June 13, 1899, there was no apparent reason for delivering this water, especially as it was free under

the contract. The validity of the three remaining contracts and the propriety of delivering under them water called for in each instance is not questioned by complainants. It will be noticed that these contracts do not provide for preference in service but only for special rates. The question of rates, however, is not before us in this proceeding.

The company's obligation under the Swamp Land contract is expressed to be personal to the owners of land and not to serve specific lands. We quote:

"Owners of swamp land in said District No. 111 shall at all times be entitled to a preference in the use of all water passing through said canals" * * *

There is no provision in the contract by which water is to become appurtenant to the lands or by which lands as such are entitled to preferential service regardless of who may own them. The evidence here does not show the ownership of the lands in the district nor those in the district who are served with water.

As to the contracts providing for 30 cubic second feet of water for the East Side Canal the contract is made between two of defendants, all of whose stock in each instance is held by defendant Kern County Canal and Water Company, except for shares qualifying the directors. As practically the only stockholder of both companies it controls both systems. It practically dealt with itself in making the two contracts in question, although they were made by two separate entities legally distinct from it and from each other. There appears to be no reason why the East Side Canal Company as a consumer of Kern Island Canal Company, a public utility, should have its service limited by such a contract nor why it should not enjoy equal service advantages with the Kern Island Company's other consumers. From the testimony of a number of consumers along the East Side Canal it appears that the admittedly limited service received by them is not sufficient for their legitimate needs and that service will be improved by a suitable system of rotation in deliveries.

East Side Canal Company serves water only under contracts, for which consumers paid \$10.00 per acre. The contracts of early issue provide a rate of \$1.50 per acre. Those of later issue provide that the consumer will pay for water delivered at cost fixed by the company, which cost shall not exceed the rate established by the board of supervisors.

It also appears that if all consumers of water derived from the Kern Island Canal receive equally good service, cause for complaints will be eliminated.

ORDER.

Public hearings in the above-entitled case having been held, the matter having been submitted and being now ready for decision,

It is hereby ordered that defendant East Side Canal Company file with the commission within twenty days proposed rules and regulations providing for the establishment of a rotation schedule of deliveries of water upon the filing of application by consumers in the spring of each year for water desired during the entire season, said schedule to be placed in effect upon approval by the commission, and that it keep its system in a proper state of repair to provide good service.

It is hereby further ordered that defendant Kern Island Irrigating Canal Company prorate its water supply between each of its consumers, including East Side Canal Company, in proportion to the total amount of water available, and in proportion to the needs of all individual consumers whose water service is derived from the canal of said defendant Kern Island Canal Company, considering therein the crops irrigated by said consumers.

It is hereby further ordered that defendant Kern Island Irrigating Canal Company furnish to the commission within thirty days a copy of a detailed computation by which it arrives at its conclusion as to the prorata quantity of water to be delivered to said East Side Canal Company, and that it file with this Commission at least once a month beginning thirty days after date hereof, a statement of the amount of water available at its intake for diversion into its canals, and the amount so diverted.

Dated at San Francisco, California, this third day of June, 1919.

DECISION No. 6385.

IN THE MATTER OF THE APPLICATION OF THE MOUNT TAMALPAIS
AND MUIR WOODS RAILWAY FOR AN ORDER AUTHORIZING IT TO
ABANDON THE OPERATION OF THE "LEE STREET LOCAL."

Application No. 4262.

Decided June 5, 1919.

LOCAL SERVICE--DISCONTINUANCE OF.--The abandonment of local service of a common carrier will not be authorized solely on a showing that the line is not earning sufficient revenue to cover its operating expenses when the applicant has made no attempt to submit plans for a rearrangement of schedules to reduce operating expenses or to increase present rates with a view to reducing or eliminating its deficit.

ABANDONMENT--UNPROFITABLE BRANCH LINES.--When the entire system of a common carrier is operated at a profit, permission will not be granted to discontinue service on an unprofitable branch line when there is no other transportation service available. Petition of applicant to discontinue Lee Street Branch denied.

Thomas, Beedy & Lanigan, by *William Thomas*, for Applicant.

Miss Abbie C. Howe, proprietor Hotel Abbie, Protestant.

F. F. Bostwick, for Bank of Mill Valley, Protestant.

Mrs. A. F. Thomas, president Outdoor Art Club, Protestant.

G. G. Hunt, superintendent schools, Mill Valley, Protestant.

H. C. Symonds, town attorney, for town of Mill Valley, Protestant.

John F. Barnett, attorney for "Citizens Committee of Mill Valley" and various other protestants.

BY THE COMMISSION.

OPINION.

Mount Tamalpais and Muir Woods Railway, a corporation, has petitioned the Railroad Commission for an order authorizing the abandonment of all service on the "Lee Street Local," alleging that the said local service can not be operated except at a loss; that the total value of the applicant's investment exceeds the sum of \$450,000.00; that the percentage of net profit earned upon its total investment is not a reasonable nor a fair and adequate compensation.

Public hearings on this application were conducted by Examiner Handford at San Francisco on December 31, 1918, January 13, 14, 16, 18, and 25, 1919, the matter was duly submitted on briefs to be filed by counsel, and is now ready for decision.

Applicants allege that in the year 1905, the Mill Valley and Mount Tamalpais Scenic Railway as predecessor of applicant instituted a local service between the station of the Northwestern Pacific Railroad in Mill Valley and Lee street, such local service to care for the residents of

Blythedale Canyon; that such local service has been operated at a loss since its establishment and that the gross receipts are steadily declining, notwithstanding that the operation of the line is alleged to have been conducted with the strictest economy. Applicant alleges that the operation of its entire property does not yield a return that would justify the continuance of operation of a local system; that large expenditures for maintenance of the operative and nonoperative property are immediately necessary and that the applicant has no resources from which to raise the amounts necessary for maintenance or to liquidate its floating debt.

The applicant asks for findings by the Railroad Commission that the "Lee Street Local" service can not be operated except at a loss; that the total value of applicant's investment exceeds the sum of \$450,000.00; that the percentage of net profits earned upon its total investment is not a reasonable nor a fair and adequate compensation; and for an order authorizing the abandonment of all service on the "Lee Street Local."

The abandonment of service on the "Lee Street Local" has heretofore been considered by the Railroad Commission in Application No. 1898, as decided November 30, 1915 (Decision No. 2944, Vol. 8, page 552, Decisions C. R. C.), and in Application No. 3272, as decided December 6, 1917 (Decision No. 4927, Vol. 14, page 670, Decisions C. R. C.). In the former decision an agreement between the railroad and the protestants was approved by this commission, such agreement establishing a schedule of train operation and the type of equipment that was to be operated on the local line. In the latter decision, the petition of the applicant for abandonment of the "Lee Street Local" service during the months of November to March of each year was denied and regular daily service, in accordance with the schedule agreed upon between the railroad and its patrons as set forth in Decision No. 2944 on Application No. 1898, was ordered maintained until the further order of this commission.

The local service for which abandonment is requested is operated over the main line of the applicant from the Mill Valley station of the Northwestern Pacific Railroad to Lee street, a distance of 1.12 miles, and serves the residents of Blythedale Canyon. The scheduled operation consists of seventeen round trips daily on a headway as agreed upon by the railroad and its patrons, and approved by the commission in its Decision No. 2944 as above referred to. The service is cared for by a gasoline motor car of special design and a reserve car is available to ensure regularity of service.

The revenues and expenses incidental to the operation of the "Lee Street Local" for the fiscal years ending June 30, and covering the period from July 1, 1905, to October 31, 1918, inclusive, are as follows:

Year	Earnings	Expenses	Loss	Gain
1905-1906	\$1,706 95	\$3,695 31	\$1,988 36	
1906-1907	2,698 40	3,695 31	1,086 91	
1907-1908	2,945 35	3,695 31	749 96	
1908-1909	3,164 10	3,695 31	531 21	
1909-1910	3,288 30	3,695 31	407 01	
1910-1911	3,229 55	3,695 31	465 76	
1911-1912	3,151 90	3,695 31	543 41	
1912-1913	3,083 95	3,695 31	611 36	
1913-1914	2,923 15	3,695 31	772 16	
1914-1915	2,848 02	3,697 34	759 32	
1915-1916	2,224 15	3,783 29	1,559 14	
1916-1917	1,743 45	3,077 29	1,333 84	
1917-1918	1,548 29	3,063 51	1,534 05	\$7 24
4 months, 1918.....	714 05	972 14	265 33	18 83
	\$35,179 61	\$47,761 36	\$12,607 82	\$26 07

The expenses connected with the operation of the "Lee Street Local" were not segregated from those of the entire line for the period from July 1, 1905, to December 31, 1914, inclusive, and the annual expenses shown in the foregoing statement are averaged over the entire period during which segregation was not made in the accounts of the company.

The expenses appearing in the foregoing tabulation include only wages of train crews, fuel and repairs, and do not include any allowance for maintenance of track and roadway, shop supervision or officials' salaries, general office expense, taxes and interest on investment. The auditing department of the commission has checked the statement with the books and records of the applicant and finds the statement to be a correct reflection of the accounts of the applicant.

A statement filed as an exhibit by applicant and reflecting the operation of the railway portion of the applicant's property for the period July 1, 1905, to October 31, 1918, inclusive, shows a net profit from operation, after deducting operating expenses, taxes and interest, of \$181,227.80, or an average yearly profit of \$15,595.26. The income received from nonoperative property, such as hotels, and from other sources not connected with the railway operation, has not been considered in connection with this application, although the profit and loss account of the applicant indicates a net income of \$56,714.87 for the above-mentioned period, or an annual average net earning of \$4,253.62 from such nonoperative property.

Mr. R. H. Ingram, general manager of the applicant's property, testified as to the necessity for securing funds for extraordinary maintenance and renewal of both the operative and nonoperative property; that from

one and one-half to two miles of rail which has been in service over twenty years should be replaced on account of badly worn condition; that cuts should be widened; that heavier section of rail should be installed on sharp curves; that equipment, especially locomotives, would shortly require replacement; and that much of the nonoperative property required immediate renewal and replacement. The credit of the applicant is alleged to be exhausted and for the reason that the earnings of the company do not return an adequate amount to provide for the extraordinary maintenance and renewal of the operative and nonoperative property, permission to eliminate all unprofitable service is requested.

This application is opposed by the town of Mill Valley, the residents of Mill Valley and Blythedale Canyon, as represented by a "Citizens' Committee" and by various individuals and property owners served by the "Lee Street Local."

Witnesses protesting the granting of this application testified as to the serious inconvenience that would result to the residents of Blythedale Canyon if the service now rendered by the "Lee Street Local" were to be discontinued, and that the value of the property would be seriously depreciated both for sale and rental purposes. Merchants testified that considerable business now enjoyed from residents of Blythedale Canyon would be lost, and residents, especially those renting property, testified that they would be obliged to change their residence to other points if the service was discontinued. No method of transportation would be available for children attending the Mill Valley schools, some forty in number. Witnesses protesting this application attribute the losses of applicant to indifferent operation, claiming that the service is not reliable; that all fares collected were not accounted for; that passengers were not picked up at intermediate stops; that the motor cars used in the operation of the line were not operated by competent employees; and that many trips were missed entirely resulting in the service not being generally depended upon by the residents of Blythedale Canyon.

The reasons advanced by the witnesses for protestants as to the light patronage accorded the lines are not supported by the evidence in this proceeding, as isolated instances of minor happenings incidental to the operation of a local service were advanced as being responsible for the service being considered unreliable and unsatisfactory to such an extent that the line was not patronized by the residents of Mill Valley and Blythedale Canyon. As regards the failure to operate scheduled trips the evidence indicated that during the calendar year 1918, 11,590 scheduled trips were operated, with but 55 failures, same being due to the following causes:

Derailements	5
Motor failures	46
Northwestern Pacific derailed train	2
No reason assigned	2
Total	55

The above statistics indicate that less than one-half of one per cent of the scheduled trips were lost, and such percentage is not an unusual record in operation of a local service of this nature.

The physical conditions existing along the route served by the "Lee Street Local" are undoubtedly responsible for the lack of patronage by the residents of Blythedale Canyon. The line is but 1.12 miles in length and serves principally commuters having their employment or place of business in San Francisco. All of the patrons of the line do not use it for its entire distance, and many use it but infrequently with the exception of the return from business or employment in the evening or in the inclement months of the year. A full spirit of co-operation between the management of the line and its patrons has not always been in evidence and the line has not been accorded the patronage by the residents of Blythedale Canyon to which it would appear that it is reasonably entitled. There is, however, no other regular method of transportation between the station of the Northwestern Pacific Railroad in Mill Valley and the station of Lee street on the line of applicant, and the protestants would be seriously inconvenienced if the transportation service of the "Lee Street Local" were to be discontinued.

Applicant has made request for specific findings of fact and an order based on such findings. We will now consider the specific requests as appearing in the application.

1. That the Lee Street Local can not be operated except at a loss.

There is no evidence in this proceeding that justifies a finding that the Lee Street Local can not be operated except at a loss.

2. That the total value of applicant's investment exceeds the sum of \$450,000.00.

A report of the engineering department of the commission, introduced as an exhibit in this proceeding, shows the following data:

Railroad Commission valuation as of June 30, 1913	Reproduction value	Reproduction value, less depreciation
Operative property	\$384,395 35	\$345,470 50
Nonoperative property	121,169 61	105,086 58
Totals	\$505,564 96	\$450,557 08
Additions and betterments, June 30, 1913, to October 31, 1918	51,824 43	51,824 43
Total as of October 31, 1918	\$557,389 39	\$502,381 51

The engineering department further reports that the same relative condition of the physical property exists as at the time of the Railroad Commission valuation as of June 30, 1913, and that the total figures as shown for reproduction value, less depreciation, fairly represent the value of the property of applicant as of October 31, 1918.

We, therefore, find as a fact that the total value of the property of applicant, on a basis of reproduction value, less depreciation, as of October 31, 1918, exceeds the sum of \$450,000.00.

3. That the percentage of net profit earned upon its total investment is not a reasonable nor a fair and adequate compensation.

The finding of fact requested by the applicant based on this portion of their petition will not be made by this commission in view of the evidence in this proceeding. It has not been shown that the service furnished by the "Lee Street Local" can not be operated except at a loss. Applicant has not yet placed before this commission any application for a reduction or rearrangement of schedule on the basis of conserving operating expense, neither has any request for an increase in rates been made. Either a readjustment or diminution of schedule or an increase in rates, or a possible combination of both, present possibilities of reducing the deficit or of eliminating it entirely. The operation of the entire property of applicant over a considerable period of years has been conducted at a profit, and is conducted at a profit at this time. The commission, before permitting the elimination of an unprofitable local service when such elimination will result in depriving a community of all regular transportation service and the record indicates that the operation of the entire line results in a profit, will require that all possible effort be made to overcome deficits before our authority for discontinuance of service will issue.

After careful consideration of all the evidence in this proceeding and of the briefs filed by counsel, we are of the opinion, and find as a fact, that the evidence in this proceeding does not justify an order granting the petition of applicant for the discontinuance of service on its "Lee Street Local" line.

ORDER.

Mount Tamalpais and Muir Woods Railway having petitioned the Railroad Commission for an order authorizing the discontinuance of service on its "Lee Street Local" line, public hearings having been held, the matter having been duly submitted and the commission being fully advised, and basing its order on the finding of fact as set forth in the preceding opinion,

It is hereby ordered that this application be and the same is hereby denied.

Dated at San Francisco, California, this fifth day of June, 1919.

DECISION No. 6386.

IN THE MATTER OF THE APPLICATION OF W. R. KING FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE A PASSENGER AUTO STAGE LINE BETWEEN THE CITY OF SAN RAFAEL AND SONOMA VALLEY, WITH A TERMINUS IN SONOMA VALLEY AT MORRIS HOME FARM.

Application No. 4566.

IN THE MATTER OF THE APPLICATION OF FRED W. BOYNTON, JAMES BAINES AND STEVE ANAZITOS, PARTNERS IN BUSINESS UNDER THE NAME OF SAN RAFAEL AND SONOMA VALLEY AUTO STAGE LINE, FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE PASSENGER AND SMALL PARCELS SERVICE BETWEEN AGUA CALIENTE IN SONOMA COUNTY, AND SAN RAFAEL IN MARIN COUNTY.

Application No. 4589.

Decided June 5, 1919.

CERTIFICATES - AUTO SERVICE - RAILROAD COMPETITION.—When it is shown that the transportation service rendered by a railroad company is unsatisfactory and unreliable, certificate will be granted to an auto stage line to enter into competition with railroad line between certain points.

San Rafael and Sonoma Valley Auto Stage Line granted a certificate to operate passenger cars between San Rafael and Agua Caliente and intermediate points. Application of King for certificate to operate between San Rafael and Morris Home Farm denied account excessive schedule of rates proposed.

Jacobs & Oliver, by *Jas. M. Oliver*, for W. R. King, Applicant.

J. W. Ford, for Fred W. Boynton, James Baines and Steve Anazitos, Applicants.

C. E. Smith, for United States Railroad Administration, Northwestern Pacific Railroad, Protestant.

Thos. P. Boyd, for Boyes Hot Springs Company.

BY THE COMMISSION.

ORDER.

W. R. King has petitioned the Railroad Commission for an order declaring that public convenience and necessity require the operation by him of an automobile stage line as a common carrier of passengers between the city of San Rafael and Morris Home Farm and intermediate points.

Fred W. Boynton, James Baines and Steve Anazitos, partners in business under the name of San Rafael and Sonoma Valley Auto Stage Line, have petitioned the Railroad Commission for an order declaring that public convenience and necessity require the operation by them of an automobile stage line as a common carrier of passengers and small parcels between Agua Caliente and San Rafael and intermediate points.

A public hearing on the above applications was conducted by Examiner Handford at San Rafael on June 2, 1919, at which time it was stipulated by counsel representing applicants that the matters be considered together, both applicants desiring a certificate over the same route. The matters were duly submitted and are now ready for decision.

Applicant King proposes to charge rates in accordance with a schedule as amended at the hearing, and to operate on a schedule of seven round trips, daily except Sunday, and on a schedule of nine round trips on Sundays and holidays, serving as intermediate points the communities at Ignacio, Black Point, Sears Point, Embarcadero (Schellville), Sonoma City, El Verano and Boyes Springs. The equipment proposed to be used consists of two seven-passenger automobiles, other equipment to be added as the demands of traffic may warrant.

Applicants Boynton, Baines and Anazitos propose to charge rates in accordance with a schedule marked Exhibit "A" and filed with their application in this proceeding and to operate on a schedule of two round trips, daily except Sunday, and on a schedule of four round trips on Sundays, serving the intermediate communities of Ignacio, Black Point, Sears Point, Schellville, Sonoma, El Verano, Boyes Springs and Petters Springs. The equipment proposed to be used consists of one auto stage with especially constructed body having a seating capacity of twelve to fourteen passengers, and one Chalmers touring car, seven passenger capacity, additional equipment to be provided if the demands of traffic will warrant.

Witness for applicants testified as to the unreliable service of the trains of the Northwestern Pacific Railroad serving Sonoma Valley, particularly as to their arrival on other than schedule time. Trains are stated to be from ten minutes to one and one-half hours late in arriving, equipment is stated to be of antiquated type and without comfortable seating arrangements. Testimony indicates that the matter of inadequate and inconvenient transportation had been the subject of complaint to the management of the Northwestern Pacific Railroad and that no attention had been paid to such complaints nor had any interest been displayed toward a correction or adjustment of the various causes of complaint. The normal population of the Sonoma Valley which would be served by the authorization of a stage line over the route as sought by applicants herein, is stated to be between 3,500 and 4,000 persons, which number is practically doubled during the summer months, due to the several springs and vacation resorts which attract many visitors during the summer months. A petition was presented asking the authorization of a stage line which was signed by every resort owner which would be served, representing a capacity of entertainment for 2,625 guests and

earing for an average of 48,300 guests per year. Other petitions were filed, also requesting the establishment of a stage line signed by 157 persons, all residents of Sonoma Valley.

The evidence clearly indicates that the residents and resort proprietors of Sonoma Valley along the route for which applicants desire a certificate to operate are desirous of an automobile stage service to supplement the inadequate and indifferent train service regarding which complaint has been made without results as to improvement or readjustment.

The interested applicants are both financially able and willing to establish a stage line and if authorized will make such additional schedules and additions to equipment as the requirements of travel may justify. The public convenience and necessity for the establishment of a stage line over the route herein sought is clearly established by the evidence in this proceeding. It does not appear, however, that two competing lines should be authorized in the same territory, both applicants being able and willing to establish a service that will be satisfactory to the public, and it will therefore be necessary to select the applicant best fitted to perform the duties of a common carrier. The question of schedules and equipment may be eliminated, both applicants having stipulated their willingness to furnish such equipment and to operate same on such frequency as the demands of traffic may justify. The matter of rates at which applicants propose to furnish the service to the public should, therefore, receive consideration and such proposed rates, together with those now existing on the Northwestern Pacific Railroad, are as follows:

Between	W. R. King	Boynton Baines & Anazitos	N. W. P. R. R.
San Rafael and Ignacio	\$0 30	\$0 25	\$0 25
San Rafael and Black Point	0 50	0 40	0 35
San Rafael and Sears Point	0 50	0 50	0 50
San Rafael and Schellville	0 75	0 60	0 75
San Rafael and Sonoma	1 00	0 75	0 85
San Rafael and El Verano	1 00	0 75	0 90
San Rafael and Boyes Springs	1 10	0 75	0 90
San Rafael and Feters Springs	1 10	0 75	0 95
San Rafael and Agua Caliente	1 10	0 75	0 95
San Rafael and Morris Home Farm	1 10	-----	-----

All other things being equal, the public is entitled to transportation at the lowest rate consistent with proper service, and as in this proceeding the testimony indicates that the applicants are both reliable and financially able to furnish the character of service that should be given by automobile stages over the route as herein applied for, the rates as proposed by applicants, Boynton, Baines & Anazitos, are the most favorable for the public, as such rates in practically every instance are

lower than those of the Northwestern Pacific Railroad, and in all instances lower than those proposed by the applicant King.

Neither of the applicants have as yet secured the local permits from the governing bodies of the political subdivisions through which the proposed route will pass which are required by the provisions of section 3 of chapter 213, laws of 1917, although such permits have been applied for.

After careful consideration of all the evidence in this proceeding we are of the opinion that the application of Boynton, Baines & Anazitos should be granted, and that of King should be denied, for the reason that while both applicants apparently possess equal financial responsibility to satisfactorily conduct the business of an automobile stage line as a common carrier under the provisions of chapter 213, laws of 1917, and the subsequent rules and regulations of the Railroad Commission, the applicants Boynton, Baines & Anazitos are willing to undertake the service at more satisfactory rates of fare for the public from whom their compensation will be derived.

The Railroad Commission hereby declares that public convenience and necessity require the operation by Fred W. Boynton, James Baines and Steve Anazitos, partners in business under the name of San Rafael and Sonoma Valley Auto Stage Line, of an automobile stage line as a common carrier of passengers and packages between San Rafael and Agua Caliente and intermediate points; provided, however, that this declaration shall not become effective until said Boynton, Baines & Anazitos shall have secured from the Railroad Commission a supplemental order herein reciting that said Boynton, Baines & Anazitos have filed herein certified copies of permits issued by the boards of supervisors of the counties of Sonoma and Marin, from the council of the city of San Rafael and the board of trustees of the city of Sonoma in accordance with the provisions of section 3 of chapter 213, laws of 1917; and provided, further, that the rights and privileges herein granted may not be transferred or assigned unless the written consent of the Railroad Commission to such transfer or assignment has first been procured.

It is hereby ordered that no vehicle may be operated under this certificate unless such vehicle is owned by the applicants herein or is leased by such applicants under a contract or agreement on a basis satisfactory to the Railroad Commission.

It is hereby further ordered that the application of W. R. King for certificate of public convenience and necessity to operate an automobile stage line as a common carrier of passengers between San Rafael and Morris Home Farm, and intermediate points, be and the same hereby is denied.

Dated at San Francisco, California, this fifth day of June, 1919.

DECISION No. 6387.

IN THE MATTER OF THE APPLICATION OF REMCO STEAMSHIP COMPANY FOR AUTHORITY TO ISSUE STOCK.

Application No. 4550.

Decided June 5, 1919.

Applicant authorized to issue \$101,000.00 par value of its capital stock, \$90,000.00 to be issued in payment for one steamship and three-fourths interest in another, the balance to be sold at par, proceeds to be used to cover organization expenses and for working capital.

H. M. Wade, for Applicant.

BRUNDIGE, *Commissioner*.

OPINION.

Remco Steamship Company asks permission to issue \$101,000.00 of its common capital stock.

Applicant was incorporated on or about January 13, 1919, with an authorized capital stock of \$250,000.00, divided into 2,500 shares of the par value of \$100.00 each. The petition herein shows that applicant is a common carrier, engaged principally in the transportation of lumber and forest products from Caspar, Fort Bragg and Mendocino, Mendocino County, California, to Pittsburg, California, and the transportation of merchandise from San Francisco to Caspar.

Applicant intends to acquire from the Caspar Lumber Company the steamer "Lakme" and an undivided three-fourths interest in the steamer "Caspar." J. R. Christy and H. M. Cochran have appraised the steamer "Lakme" at \$30,000.00 and the steamer "Caspar" at \$85,000.00. Applicant asks permission to issue \$30,000.00 of its common stock to acquire the former and \$60,000.00 of its common stock to purchase an undivided three-fourths interest in the steamer "Caspar."

In addition to the \$90,000.00 of stock, applicant asks authority to sell to the Caspar Lumber Company at par \$10,000.00 of its common stock and to its incorporators, \$1,100.00. The proceeds from the sale of the \$11,100.00 of stock applicant intends to use to pay organization expenses and for working capital purposes.

The record shows that Caspar Lumber Company owns a large mill at Caspar and that it sells a considerable part of its lumber to the Redwood Manufacturers Company, whose plant is located at Pittsburg, California. The steamers "Lakme" and "Caspar" have been used by the lumber company to transport its lumber and supplies.

Counsel for applicant reports that in order to legalize the proportional rate applying beyond Pittsburg, California, to eastern destinations, it

became necessary to operate the boat line as a common carrier. The lumber company has therefore caused to be organized the Remco Steamship Company and will transfer to it in exchange for \$90,000.00 of stock, the steamer "Lakme" and its interest in the steamer "Caspar," and in addition purchase \$10,000.00 of stock for cash to provide the steamship company with the necessary working capital.

C. J. Wood, vice president of Caspar Lumber Company, testified that it is the intention of the lumber company to hold the \$100,000.00 of stock received by it from the Remco Steamship Company as a permanent investment.

I herewith submit the following form of order:

ORDER.

Remco Steamship Company having applied to the Railroad Commission for permission to issue \$101,100.00 par value of its common capital stock, a public hearing having been held, and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified herein,

It is hereby ordered that Remco Steamship Company be and it is hereby granted authority to issue \$101,100.00 par value of its common capital stock for the following purposes and upon the following conditions:

1. Of the stock herein authorized to be issued, \$30,000.00 shall be delivered to the Caspar Lumber Company as payment for the American steamer "Lakme"; \$60,000.00 shall be delivered to the Caspar Lumber Company as payment for its undivided three-fourths interest in the American steamer "Caspar," and \$11,100.00 shall be sold for cash at not less than its par value.

2. The proceeds obtained from the \$11,100.00 of stock shall be used by applicant for working capital or for the payment of additions and betterments.

3. Remco Steamship Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted shall apply only to such stock as shall be issued on or before September 1, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this fifth day of June, 1919.

DECISION No. 6388.

VICTOR ZITTO AND JOHN S. ZITTO

vs.

HAINES CANYON WATER COMPANY, A CORPORATION.

Case No. 1312.

Decided June 5, 1919.

Refusal of defendant to extend service to complainants on the grounds of limitation in its supply of water held not sufficient to deny complainants the small amount of water necessary for domestic service only. Extension of service to complainants for domestic service only directed, the cost thereof to be borne one-half by the company, the balance by consumers, such amount to be returned at the rate of 10 per cent of monthly bills.

Len Claiborne, for Complainants.*R. T. Quinn*, for Defendants.

BY THE COMMISSION.

OPINION.

The complainants in the above-entitled proceeding allege in effect that complainants are owners of land within the territory served by defendant, and have applied for water to be used for domestic purposes only, but that defendant has refused to supply water as requested.

Defendant's answer admits the refusal to supply water to complainants and alleges that it has not sufficient water to supply complainants and its present consumers.

A public hearing was held in Los Angeles on May 14, 1919, at which it was stipulated by defendant that it was willing to extend service of water for domestic purposes only, to complainants, provided this commission found that a sufficient supply of water is available.

Even if a shortage occurred during the period of maximum demand, the use of water by complainants for domestic purposes would be so small as to be unnoticed, whereas a refusal to extend service would work a hardship on complainants.

It therefore appears that service should be extended.

The evidence shows that complainants desire separate service connections and are willing to bear the cost of the additional installation, which appears reasonable.

ORDER.

Victor Zitto and John S. Zitto having made complaint in the above-entitled proceeding, a public hearing having been held thereon, and the commission being fully informed in the matter, and there appearing no

good reason why a supply of water for domestic purposes only should not be furnished complainants.

It is hereby ordered that defendant shall immediately install a service connection and water meter for each of the complainants herein, and shall thereafter supply complainants with water for domestic purposes only.

And it is hereby further ordered that one-half the cost of such service connections and meters shall be borne outright by defendant and that the remainder of the cost shall be deposited by complainants with defendant who shall return such deposit at the rate of one-tenth the total annual bills for water consumed through the two services.

Dated at San Francisco, California, this fifth day of June, 1919.

DECISION No. 6389.

IN THE MATTER OF THE APPLICATION OF THE DURHAM LIGHT AND POWER COMPANY, J. A. FOSTER, OWNER AND MANAGER, FOR PERMISSION TO ISSUE NOTES.

Application No. 4523.

Decided June 5, 1919.

Applicant authorized to issue \$15,400.00 face value of one-year notes in lieu of notes heretofore issued without authorization, covering cost of additions and betterments to plant.

LOVELAND, *Commissioner*.

OPINION.

J. A. Foster operating an electrical distributing system under the fictitious name and style of Durham Light and Power Company, asks permission to issue \$15,400.00 face value of notes.

The record herein shows that on December 17, 1912, applicant entered into a contract with the Pacific Gas and Electric Company for the construction of a unit of applicant's distributing system in Durham and vicinity. From time to time, the system has been extended.

On December 31, 1918, applicant reported assets and liabilities as follows:

<i>Asset Accounts.</i>	
Fixed capital.....	\$20,716 07
Cash	280 01
Due from consumers and agents.....	1,295 62
Materials and supplies.....	1,011 13
Deficit	31 85
Total asset accounts.....	\$23,334 68

<i>Liability Accounts.</i>	
Investment	\$2,752 56
Notes payable	15,400 00
Accounts payable	2,952 12
Reserve for accrued depreciation	2,230 00
Total liability accounts	\$23,334 68

Applicant without an order from the Railroad Commission has from time to time issued notes. The face value of the notes is reported at \$15,400.00. Under the provisions of the Public Utilities Act, the notes are null and void. I am satisfied, however, that applicant issued the notes inadvertently, with no intent to evade the provisions of the Public Utilities Act and that the moneys obtained through the issue of notes have been expended to extend the system and improve the service. The notes outstanding should be canceled and new notes issued in lieu thereof pursuant to the authority granted by the commission.

I herewith submit the following form of order:

ORDER.

Durham Light and Power Company, J. A. Foster owner and manager, having applied to the Railroad Commission for permission to issue notes, a public hearing having been held and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified herein,

It is hereby ordered that Durham Light and Power Company, J. A. Foster owner and manager, be and it is hereby granted authority to issue within sixty days after the date hereof \$15,400.00 face value of one-year notes, bearing interest at not exceeding 7 per cent per annum, for the purpose of refunding the indebtedness represented by the notes referred to in the petition herein, provided that before any of the notes herein authorized are issued the notes now outstanding shall be canceled and returned to applicant; and provided, further, that the authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act; and provided, further, that applicant shall file with the Railroad Commission within ninety days after the date hereof a statement showing the face value of the notes issued, the term of the notes, the name of the payees and the rate of interest, together with a statement showing that all of the notes referred to in the petition herein have been canceled.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this fifth day of June, 1919.

DECISION No. 6390.

WARD A. DWIGHT ET AL.

vs.

LYON & HOAG, A CORPORATION.

Case No. 1277.

Decided June 5, 1919.

PUBLIC UTILITIES—PROVISION FOR IN ARTICLES OF INCORPORATION.—An incorporated company which engages in the business of selling water to the public for compensation is a public utility, irrespective of the fact that its articles of incorporation do not provide for the performance by it of any public utility functions.

WATER SERVICE—DISCONTINUANCE OF WITHOUT AUTHORIZATION.—A company engaged in the distribution of water for compensation is a public utility and accordingly can not discontinue such service without authorization of the Railroad Commission or by showing that another utility is engaged in a like service in the vicinity and should assume the burden of service which it wishes to discontinue.

JURISDICTION—WATER SERVICE—INCORPORATED CITIES.—The repeal of section 82 of the Public Utilities Act which provided for the regulation of service of utilities by incorporated cities, invalidates section 549 of the Civil Code, investing in incorporated cities control of service of water companies, as such section provided for its effectiveness only when "not inconsistent with laws of the state." The Railroad Commission and not the city of San Francisco has jurisdiction to compel a water utility to resume a service which it has arbitrarily discontinued.

Defendant found to be a public utility water company as described in subdivision X, section 2 of the Public Utilities Act and it is directed to resume service to consumers within a period of ten days.

Stoney, Rouleau, Stoney & Palmer, by Mr. Palmer, for Complainants.

Walter H. Linforth and J. E. McCurdy, for Defendant.

M. M. Mannon, Jr., for Spring Valley Water Company.

John J. Dailey, for City and County of San Francisco

EDGERTON, *Commissioner.*

OPINION.

The complainants herein (some 27 in number) ask that the commission declare the defendant, a corporation, a public utility and thereupon order said defendant to resume the service of water to said complainants.

The defendant denies that it is now or ever has been a public utility and contends that even if it be declared to be a public utility the Railroad Commission is without jurisdiction to entertain this complaint because jurisdiction lies in the government of the city of San Francisco.

It appears that defendant prior to the tenth day of August, 1918, subdivided a tract of land called Lincoln Manor in the city of San Francisco and sold lots to individuals who erected houses thereon. These complainants all occupy lots in this tract. The defendant in laying out this tract installed a system of pipes for distributing water and a pumping station and purchased water from the Spring Valley

Water Company at this pumping station and then at its own expense distributed this water throughout the tract and collected rates from these complainants.

It does not appear that defendant made any profit through the sale of this water, the evidence being that by reason of using water for irrigating small parks in this tract for which no compensation was had, defendant suffered a loss as between the money paid Spring Valley Water Company for water and the sums collected from consumers.

On August 10, 1918, defendant notified Spring Valley that thereafter it would not purchase any more water and that said Spring Valley Water Company must look to consumers of water on the tract for compensation for any water delivered.

At about this time defendant offered to give to Spring Valley Water Company the distributing system in this tract together with the pumping plant, provided Spring Valley Water Company would supply these consumers with water. Spring Valley Water Company refused this offer unless in addition defendant would agree to pay any cost of pumping or other operating expense resulting from the delivery of the water beyond the pumping station. This defendant would not agree to do, and since said August 10, 1918, the pumping plant has not been operated and defendant has entirely abandoned all connection with this water system and has paid no bills for water.

Spring Valley Water Company, at the request of city officials of San Francisco and of this commission, has continued to deliver water at the pumping plant for the use of these complainants with the understanding that the Railroad Commission or some competent authority would determine the question of who was responsible for payment for the water.

Defendant's articles of incorporation do not set out any public utility functions.

It is clear from the foregoing statement of facts that defendant is a public utility which has actually engaged in the service of water to the public, or a part thereof, for compensation. It performed every act of a public utility service and the mere fact that its articles of incorporation did not authorize it to pursue the business of a public utility can not be taken advantage of by defendant in an attempt to escape the responsibility which it assumed upon entering the business of serving water.

Defendant being a public utility had no right to abandon the service of water to these complainants without authorization from this commission and it can not now, by merely showing that Spring Valley Water Company serves other consumers in this vicinity with water, thus shift its burden to that company.

This commission has jurisdiction to entertain this complaint and make an appropriate order.

Section 23, Article XII of the Constitution reserves to municipalities their powers of control over public utilities, other than the fixing of rates, until an election is held, as a result of which these powers are transferred to the Railroad Commission. The city of San Francisco has not transferred its powers and accordingly it is necessary to determine whether power to grant the relief requested rests in the city authorities or in the Railroad Commission.

Section 549 of the Civil Code provides:

"All corporations formed to supply water to cities or towns must furnish pure fresh water to the inhabitants thereof, for family uses, so long as the supply permits, at reasonable rates and without distinction of persons, upon proper demand therefor; and must furnish water to the extent of their means, in case of fire or other great necessity, free of charge. The board of supervisors, or the proper city or town authorities, may prescribe proper rules relating to the delivery of water, not inconsistent with the laws of the state."

This section gives to municipalities power to prescribe proper rules relating to the delivery of water not inconsistent with the laws of this state. Defendant relies in part upon this provision of the Civil Code, claiming that this vests jurisdiction in the city authorities to require utilities to give service and refers to *Title Guarantee and Trust Company vs. Railroad Commission*, 168 Cal. 295, in support of its position. In that case the Supreme Court held that under this section of the Civil Code, the city of Glendale had the right to make rules with reference to charges for service connections. It should be noted, however, that at the time of the decision in *Title Guarantee and Trust Company vs. Railroad Commission*, the Public Utilities Act, in section 82, contained a provision similar to the constitutional provision reserving to municipalities their control over public utilities. That section of the Public Utilities Act, however, has since been eliminated. The Public Utilities Act now, therefore, is in direct conflict with section 549 of the Civil Code, and the latter must fall by its own provisions which make it effective only when "not inconsistent with the laws of the state." In other words, the constitutional reservation of power to municipalities does not preclude the amendment or repeal of provisions of the Civil Code. Further, even if section 549 of the Civil Code were effective, I believe it would not be construed to cover a case such as that under consideration.

The city charter of San Francisco, in subsections 13 and 14 of section 1, Chapter II, Article II, gives to the board of supervisors, among other powers:

"13. Except as otherwise provided in this charter, to regulate and control the location and quality of all appliances necessary to the furnishing of water, heat, light, power, telephonic and telegraphic service to the city and county, and to acquire, regulate and control any and all appliances for the sprinkling and cleaning of the streets of the city and county, and for flushing the sewers therein.

"14. To fix and determine by ordinance in the month of February of each year, to take effect on the first day of July thereafter, the rates of compensation to be collected by any person, company or corporation in the city and county, for the use of water, heat, light, power or telephonic service, supplied to the city and county, or to the inhabitants thereof, and to *prescribe the quality of the service.*"

The city of San Francisco accordingly has power to "regulate and control the location and quality of all appliances necessary to the furnishing of water" and also "to prescribe the quality of the service." Regulating the quality of service presupposes the existence of a service. In the pending proceeding the relief asked is an order requiring the re-establishment of a service once given but since discontinued. Accordingly, the relief requested does not come within the charter provisions.

The Railroad Commission, therefore, and not the municipal authorities, is vested with jurisdiction to grant the relief sought.

I recommend that an order be made finding as a fact that defendant is a public utility and ordering the immediate resumption of service by said defendant to these complainants.

ORDER.

The complaint having been made by the above-entitled plaintiff against the above-named defendant, and a public hearing having been had and the matter submitted,

It is hereby found as a fact that said defendant is a public utility water company and is a water corporation as described in subdivision X, section 2 of the Public Utilities Act.

Basing its order on the foregoing finding of fact and the further facts set out in the foregoing opinion,

It is hereby ordered by the Railroad Commission of the state of California that defendant Lyon & Hoag, a corporation, within ten days from the date of this order resume the service of water to the complainants named in this proceeding and thereafter continue to give such service.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this fifth day of June, 1919.

DECISION No. 6391.

IN THE MATTER OF THE APPLICATION OF FRESNO CANAL AND LAND CORPORATION FOR INVESTIGATION INTO THE MATTER OF RATES CHARGED BY IT FOR WATER FOR IRRIGATION PURPOSES.

Application No. 2980.

Decided June 6, 1919.

JURISDICTION—PUBLIC UTILITIES—WATER COMPANIES.—It is held that an incorporated company delivering water to anyone applying therefor can not be termed a private corporation on the grounds that it secured an extension of its corporate life by a certificate signed by its officers, directors and stockholders stating that the company was not a quasi-public corporation. A water company which was a public utility at the time of its inception does not change its status by a subsequent statement nor is it hereafter estopped from claiming to be a public utility by such certificate.

CONTRACTS—PUBLIC UTILITY WATER COMPANIES.—A water company serving water to all who apply, but requiring the signing of a contract before rendering service, is a public utility and can not be classed with a corporation which serves water to contract holders only, which contracts were secured in connection with the purchase of land, delivery of water being confined to such class of consumers only.

CONTRACT WATER RIGHTS—FREE SERVICE.—Contracts for free service entered into between a public utility and certain irrigationists, whereby the latter transferred to the utility rights to a specified amount of water and received in return an equal or lesser amount through the utility's ditches free of charge, are legal and binding on public authorities in a rate-fixing inquiry. Contracts for free service entered into between a water utility and consumers, in consideration for which no relinquishment of water rights were made, are not binding.

CONTRACTS—REDUCED RATES—WATER SERVICE.—Contracts for water at reduced rates, entered into between a water utility and certain of its consumers in consideration for work performed by the consumers for the utility, are no different than a contract for which an equal consideration was paid in cash, and are not binding in the face of a different rate established by the commission.

CONTRACT WATER—CHARGES FOR NONUSE OF.—It is held to be inequitable and illegal for a water utility to charge contract consumers for the amount of water specified in such contracts when they do not desire such water or receive the same. Applicant authorized to establish a charge of 62½ cents per acre per annum for water delivered to contract consumers, with the exception of holders of contracts for free water in consideration for which an actual water right was transferred, and it is directed to discontinue the practice of charging users of water an initial payment for the execution of contracts over and above the annual charge for water.

Short & Sutherland, by *W. A. Sutherland*, for Applicant.

J. O. Traber, for *J. W. Traber et al.*

Milton M. Dearing, for various holders of so-called free water contracts.

BY THE COMMISSION.

OPINION.

This is an application by Fresno Canal and Land Corporation, in form for the removal of certain inequalities in the rates charged by it to its various consumers, but in effect for the purpose of increasing the

charges to those of its consumers who are receiving water under so-called "free" or "reduced rate" contracts.

Public hearings were held in this proceeding at Fresno on October 2, 1917, before Commissioner Thelen, and on February 28, and March 31, 1919, before Examiner Baneroft.

In its amended application, filed by leave of the commission, Fresno Canal and Land Corporation alleges, in effect, among other matters, that it is a public utility water corporation, duly engaged in the business of distributing water for irrigation to the public; that prior to the institution of this proceeding and in accordance with an order of the Railroad Commission, it purchased and acquired the canal system, water rights and franchises of Fresno Canal and Land Company, a like corporation (formerly Fresno Canal and Irrigation Company), together with all the contracts between said last-named corporation and the owners of lands supplied with water for irrigation purposes by said canal system, and the right to collect and receive the payments specified in said contracts; that under and by virtue of said contracts, said Fresno Canal and Land Company had established, and there now exists throughout the territory served by applicant, a standard rate of 62½ cents per acre per annum for the irrigation of the lands described in said contracts, the number of said contracts providing for such standard rate being approximately 18,000; that notwithstanding the establishment of said standard rate and the payment thereof by the owners of the lands described in said 18,000 contracts, the officers of said Fresno Canal and Irrigation Company, during the early years of its existence made and entered into certain contracts with the landowners for the irrigation of the lands described therein at annual rates less than said standard rate, said contracts, however, being in all other respects identical with the standard form of contract and imposing upon said Fresno Canal and Irrigation Company, and now upon applicant, the same obligations as to service and amount of water to be furnished; that in addition to the contracts above referred to, there are in existence certain other contracts by which said Fresno Canal and Irrigation Company agrees to furnish the parties named therein with water for the irrigation of lands owned by them and referred to in such contracts without any charge whatsoever for such water, said contracts covering 1,778.56 acres of land; that if all the said owners, receiving water at less than the standard rate were required by applicant to pay said rate of 62½ cents per acre, its annual revenue would be increased by an amount approximating \$5,000.00.

Applicant introduced evidence in support of all of the above allegations, and no counter evidence having been introduced with regard to any of them, except the question as to whether or not applicant and its

predecessors in interest were or are public utilities, the Railroad Commission hereby finds that, with this exception, all of the allegations above set forth are true, leaving for more extended discussion the question as to whether or not Fresno Canal and Land Corporation and its predecessors in interest were or are public utilities.

The protestants and parties whose rates applicant desires to have raised in this proceeding may be considered under three heads: First, those represented by Mr. Dearing, who have been receiving water free of annual charge; secondly, those (such as Mr. J. O. Traber, represented by Mr. J. W. Traber) who have been receiving water at reduced rates under contracts executed in consideration of work performed for the Fresno Canal and Irrigation Company by the then owners of the land; and, thirdly, those who have been receiving water at reduced rates under contracts executed for financial considerations.

Numerous exhibits and extended briefs were filed both by applicant and by the protestants, all of which have been carefully considered by the commission. Protestants, at the outset, raised the point that at the time the contracts in question were entered into, Fresno Canal and Irrigation Company was not a public utility. A large portion of the evidence introduced related to this question, the principal points of which we shall summarize as briefly as possible.

The articles of incorporation of Fresno Canal and Irrigation Company, which was organized in 1871, recite that the company is organized "in conformity with the requirements of an act of the legislature of the state of California entitled 'An act to provide for the formation of corporations for certain purposes,' passed on the fourteenth day of April, A.D. 1853, and the several acts amendatory thereof and supplemental thereto." They further state that: "The objects for which this corporation is formed are to straighten, deepen and otherwise improve the natural channel of Kings River * * * to a point at or near the head of the canal already constructed for irrigation purposes above the town of Centerville and for the construction of a canal out of Kings River * * * with such branches diverging from the main canal as shall be deemed necessary for manufacturing and irrigating purposes, said canal to be used for floating logs, lumber, wood and freight of every description and for supplying water for irrigating, manufacturing and domestic purposes in such quantities as may be needed along or near the line of said canal and its branches. And for the construction of a branch canal * * * to be used for the same general purposes as the main canal. And also for the further object of collecting toll for freight for logs, wood, lumber, etc., * * * and to collect rate for the use of water supplied by the same * * *."

The act of 1853, referred to in the articles, did not provide for the organization of water companies, that act being limited to "corpora-

tions for manufacturing, mining, mechanical or chemical purposes or for the purpose of engaging in any species of trade or commerce, foreign or domestic." The act of May 14, 1862, however, which refers to the act of April 14, 1853, and is declared to be "amendatory thereof and supplemental thereto," authorizes the formation of corporations for the purpose of "the construction of canals for the transportation of passengers and freights, or for the purpose of irrigation or water power, or for the conveyance of water for mining or manufacturing purposes, or for all such purposes." It is further provided by section 3 of the act that a corporation organized thereunder shall have the right "to establish, collect and receive rates, water rents or tolls which shall be subject to regulation by the board of supervisors of the county or counties in which the work is situated." It further appears that from its inception, the Fresno Canal and Irrigation Company was willing and actually did sell water or so-called "water rights" to anyone who would sign the company's standard form of contract, which provided for a cash initial payment and annual payments thereafter, and further provided that the contract should be appurtenant to and an obligation upon, and should run with the land. The evidence on this point was naturally somewhat limited, owing to the fact that very few of the original consumers of the company are still alive. A resolution of the company's board of trustees, adopted at a meeting on June 1, 1877, reads as follows:

"WHEREAS, It is the desire of this company to encourage and assist the farmers residing upon and endeavoring to cultivate lands commanded for irrigation by the canals of the company; therefore

Resolved, That it shall be the policy of this company to lease the use of water from its canals to such residents upon lands cultivated by them, at such reasonable rates as will enable the farmers to adopt and carry out a proper system of irrigation thereon; and, to this end, be it further

Resolved, That the superintendent of the canals of this company be and he is hereby authorized and directed to negotiate terms of water leases with cultivators located as aforesaid and report action for confirmation to this board."

Furthermore, on cross-examination, Mr. John W. Traber, one of the protestants in this proceeding, testified as follows:

Mr. SUTHERLAND: Q. "Mr. Traber, in these conversations you had with Mr. Church (the president and organizer of Fresno Canal and Irrigation Company) from time to time, I understand he did say to you that he intended to dispose of all of the thousand water rights?

A. That was my understanding.

Q. And each water right, so-called, represented one cubic foot?

A. Running through a box which would let a foot a second run through. That was our understanding.

Q. And that was for the purpose of irrigating 160 acres of land?

A. 160 acres.

Q. So that the one thousand water rights would irrigate 160,000 acres?

A. 160,000 acres, yes, sir.

Q. And at all times, Mr. Church—or whenever he did talk to you about the rights he had disposed of—said he was going to dispose of the whole thousand?

A. That was the idea we had, yes.

Q. He didn't say he was going to dispose of it to any particular man or anybody that wanted it?

A. Not that I know of. There was no personality. Anybody was to have it as wanted it, as I understand.

Examiner Bancroft: As a matter of fact, did you hear of anyone who was refused water who wanted to buy it?

A. Not that I know of. The water was for sale and if any man had the money he could get it until the thousand was disposed of."

Protestants claimed that the act of 1862 was repealed by the act of April 2, 1870, but we do not so construe the latter act.

The only evidence to the effect that Fresno Canal and Irrigation Company was not a public utility is contained in a certificate extending the corporate existence of the company. This certificate recites in terms that the extension was made under and in pursuance of section 7 of article II of the Constitution of California, which provision, in terms, prohibits the legislature from extending the charter of any quasi-public corporation. Moreover, the certificate expressly declares: "That said corporation is not a quasi-public corporation but is a corporation organized for the purpose of carrying on business and private enterprises under the statutes existing and in force at the time of the organization of said corporation." Said certificate is dated November 3, 1909, and was signed and sworn to by every stockholder, every director and the president and secretary of the Fresno Canal and Irrigation Company, including Mr. Frank H. Short, one of the attorneys for applicant in this proceeding, and if such language had been used at the time the contracts in question were entered into, it would be strong evidence as to the practices of the corporation at that time. Made as it was, however, over thirty years after the contracts referred to were executed and the practices of the company established, it can not be considered as more than an expression of opinion by the officers and stockholders of the company at the time it was made as to the status of the company. While these gentlemen may or may not have made this certificate in good faith, and while they should not be allowed to play fast and loose in a matter of this kind, nevertheless we are of the opinion that Fresno Canal and Irrigation Company was a public utility from the time of its inception; and, if this is the case, a subsequent statement by everyone connected with the company, including its attorney, that it was not a public utility could not alter its status. Protestants urge that applicant should be estopped by this certificate from now claiming that it and its predecessors in interest were and are public utilities, but for obvious reasons this is not a case where the doctrine of estoppel can be applied.

Protestants have laid considerable stress upon the case of *Thayer vs. California Development Company*, 164 Cal. 117, and the case of *Allen vs. Railroad Commission*, 56 Cal. Dec. 326 (commonly referred to as

the Lake Hemet case), in support of their contention that Fresno Canal and Irrigation Company was not a public utility. Both of these cases, however, are clearly distinguishable from this proceeding. In the former case, the development company had, from the outset, adopted the following method for the disposition of its water (we quote from pages 131-132 of the court's opinion):

"For this purpose it laid out seven separate districts in the New River Country, with distinct boundaries. In each of these it organized a private water corporation. The purpose of each corporation as expressed in its articles was to procure water for the irrigation of such lands situated within the exterior limits of the district as should belong to its stockholders, and to no other persons. * * * To these corporations and to no other persons the development company sold the water it diverted, receiving therefor certain shares of stock of said corporations with the right to sell the same and have them located on lands in the district by the purchasers, and with an agreement by each auxiliary company to pay thereafter an annual charge of 50 cents per acre-foot for the water delivered to it. * * * It appears, therefore, that the development company has always either directly or through auxiliary companies selected the persons to whom it would sell and distribute the water and fixed its own prices. A use thus restricted, limited and controlled by the owner is in no sense, according to the foregoing authorities, a public use."

On page 133 of the opinion the court states:

"It is very clear from all the proceedings taken that the development company not only did not intend to engage in a public service, but that it was well advised concerning such service and carefully devised its plans and drew its contracts to avoid being placed in that position."

In the case of *Allen vs. Railroad Commission, supra*, one of the controlling factors was the fact that the Lake Hemet Water Company was organized and controlled by the stockholders and officers of the Hemet Land Company, and was simply an adjunct of the land company. As stated in the opinion of the court in that case:

"These two corporations were in all essentials under identical ownership and control, with the same stockholders, board of directors, offices and letterheads. * * *

"If it has not already become apparent it soon will be, that so far as Mr. Whittier and his associates are concerned, this was a purely private business venture for the purpose of legitimate private gain. * * * In some of the minor details these companies moved along different plans. In their essentials, however, the methods were the same. Sometimes with the land went proportionate shares of water stock to the purchaser, entitling him to the use of a given amount of water on his land. Sometimes the land and water rights were held by a single corporation and the conveyance of the land in express terms carried with it the right to the use of a given quantum of water. Mr. Whittier and his associates soon after the official map of the Hemet Land Company was approved began to advertise and sell these lands, and the practice is set forth in the finding of the commission as follows:

"* * * * Under the plan originally formulated by Mr. Whittier and his associates, owning both Hemet Land Company and Hemet Land and Water Company, whenever a parcel of land was sold by Hemet Land Company, the purchaser of such land desiring water thereon was obliged to purchase a water right certificate from Hemet Land and Water Company. Later, when other lands were purchased by Mr. Whittier and his associates, in addition to the original Hemet Tract, a similar arrangement was made. The land company sold the land and the water company sold the so-called "water certificates."

These certificates entitled the holder to one miner's inch of water for eight acres of land.

"On the average these land purchasers paid \$75.00 per acre for their land and \$75.00 per acre for their water rights appurtenant to their land."

In other words, the court found that the Lake Hemet Water Company never purported to serve anyone but purchasers of land from the Hemet Land Company; while in this proceeding the testimony shows that the Fresno Canal and Irrigation Company was an irrigation company pure and simple; not a real estate or land company, but operated for the purpose of selling water to landowners along its system; and that it sold water to all such landowners who would pay the price demanded by it and who would sign its standard form of contract.

The fact that the canal company required all irrigationists to sign a standard form of contract before receiving water does not in itself prove that the company was not a public utility. It was argued that the consumers would not have had to sign such a contract if applicant had been a public utility, but to hold that requiring its consumers to sign such contracts would preclude a company from being a public utility would certainly give any quasi-public corporation a very easy means of avoiding the responsibilities of public service. As a matter of fact, it was not so very long ago that practically all electric power companies required every user of electric energy to sign a contract in which the rate was fixed for each particular user, and often arbitrarily fixed. Even railroad companies required the traveling public and shippers of freight to sign contracts when purchasing certain tickets or making shipments at so-called "reduced rates"; yet no one would claim that the power companies or the railroad companies thereby avoided becoming public utilities. It might well be held that the entire rates to be received by the irrigation company, for the delivery of water, consisted of the initial payment and the annual payments, which latter are admittedly extremely low, and all of which are open to revision by the proper regulatory body.

From the evidence introduced in this proceeding, the commission finds that Fresno Canal and Irrigation Company was, from the time it first commenced to do business, a public utility; and that applicant likewise has been a public utility since its organization.

Mr. Dearing, on behalf of the so-called free water users, urged that even if Fresno Canal and Irrigation Company, at the time it entered into the contracts with his clients' predecessors in interest, was a public utility, nevertheless. These contracts are valid and binding. In order to pass upon this point it will be necessary to consider separately these original contracts, of which there are three, known respectively as the Hyde contract, the Wood contract and the Statham contract.. For the purposes of this proceeding, it was admitted that all of Mr. Dearing's

clients are holders of alleged water rights originally granted under one of the three contracts above mentioned.

In the case of the Hyde contract, it appears that the early settlers in Centerville had appropriated water from the Kings River, constructed a ditch and actually applied the water to irrigate their lands. The ditch used by these settlers was known as the Centerville ditch, and was apparently the first appropriation of water from the river. It appears that some trouble later arose with the Fresno Canal and Irrigation Company, at which time these settlers were using approximately seven cubic feet of water per second on their various holdings. After certain negotiations with the settlers, Mr. M. J. Church agreed on behalf of the Fresno Canal and Irrigation Company that, in consideration of the settlers turning over the ditch known as the Centerville ditch, to the canal company, the latter would refund to them the actual cost of constructing said ditch and in addition give them an equal amount of water, free from annual charges, out of its own ditch. A written contract was later drawn up in this connection, which, however, did not recite the circumstances which led up to its execution.

In the case of the Wood contract, it was contended by Mr. Dearing that this agreement was entered into in consideration of a cash payment and the transfer by Wood to the Fresno Canal and Irrigation Company of certain shares of stock of the Centerville Canal and Irrigation Company, which was the corporate name in which the Centerville ditch was held, and that the Fresno Canal and Irrigation Company was in this case giving the so-called free water rights to Wood in exchange for rights which he held to water through stock of Centerville Canal and Irrigation Company. The acquisition of the Centerville ditch was apparently an important acquisition to Fresno Canal and Irrigation Company; but the evidence introduced by Mr. Dearing was not sufficient to enable us to pass upon the question as to whether rights to an equal amount of water were actually transferred by Wood to the company as part consideration for the contract.

The Statham contract was entered into on May 29, 1871, between Fresno Canal and Irrigation Company and A. H. Statham. It provided that the canal company should furnish Statham water for the irrigation of his land free of charge. Later, certain other contracts were entered into in consideration of the relinquishment of claims under the old Statham contract. No evidence was introduced, however, showing that any water rights were transferred by Statham as consideration for this contract, and if no such rights were involved, it naturally follows that such a contract would not be binding as to rates if this commission saw fit to change such rates, and any later contracts made in consideration of the relinquishment of rights under the Statham contract would have no more effect than the Statham contract itself.

As to the Hyde contract, however, the commission finds that the holders of these early water rights in effect simply transferred their rights to take water out of the Kings River for the right to take an equal or lesser amount of water of the same river from the company's canal and did not thereby lose their original rights to this amount of water, and that their successors in interest are, accordingly, entitled to such water free of charge, as provided in their contracts. If the circumstances were similar in the cases of the Wood and Statham contract, or contracts through which any other holders of so-called free water rights are obtaining their water, then our conclusion in their cases would be the same; but so far as the evidence introduced in this proceeding is concerned, the only rights proved to be in this class are those derived under the Hyde contract.

As to the second class of protestants, namely, those who have been receiving water at a reduced rate under contracts executed in consideration of work performed for the Fresno Canal and Irrigation Company by the owners of land, the case of Mr. J. W. Traber may be taken as a typical example. It appears that in the early part of 1875, M. J. Church stated to Mr. Traber and other settlers of land approximately 18 miles southeast of Fresno, that he had appropriated certain waters from Kings River to be diverted upon the plains and that he was compelled to construct a canal through the bluff of the Kings River; that he had his dam built but did not have sufficient money to excavate the canal through said bluff, which, according to the estimate of his engineer, would cost approximately \$6,000.00; that he was willing to pay for the labor of making this cut in water rights at \$250.00 a share, or that he would give twenty-four "water rights" to any twenty-four men who would make the excavation, hereafter referred to as the "long cut"; that after several meetings the settlers agreed with Mr. Church that twenty-four of them would do the work, in pursuance of which they proceeded to make the cut, working for ten weeks or more, furnishing their own horses and tools and undergoing considerable hardships in order to perform the task. After these men had excavated the long cut, the Fresno Canal and Irrigation Company built a ditch to a point near Sanger, which was known as Lone Tree Channel, and from that point these settlers constructed their own ditches to their lands; that in accordance with their verbal agreement, after the work had been completed, the Fresno Canal and Irrigation Company entered into written contracts with the men who performed the work, said contracts being in the regular standard form, but executed in consideration of the work done by these men, and providing for payment by the landowners of "assessments" of \$25.00 per year per 160 acres. Mr. Traber also offered evidence to the effect that prior to the actual commencement of the work, Mr. Church had told these settlers that the

work had to be done, that the franchise under which he was to procure his water had been granted to him in 1871, that he had put a wooden bulkhead in the river, which was in rather bad shape, and that if the work was not done within a specified time his franchise would be forfeited.

There is no question but that the work performed by these settlers constituted a valuable consideration for the contracts executed by the Fresno Canal and Irrigation Company and that if this company had not been a public utility at the time of the performance of the work, the contracts would be binding. But, admitting this, we are unable to distinguish between the performance of \$250.00 worth of work by each of the twenty-four settlers and the payment of \$250.00 in cash by other settlers for similar contracts. We are accordingly of the opinion that this class of contracts should be considered as in every respect similar to the third class of contracts, namely, those executed in consideration of money payments, but providing for less than the standard annual charge of 62½ cents per acre.

This commission has repeatedly held that rates established by contracts similar to these last-mentioned contracts will not stand in the face of different rates authorized or established by this commission. This matter was fully discussed and settled by the commission in Decision No. 536, Application No. 118, *In the Matter of the Application of James A. Murray and Ed Fletcher for an Order Authorizing and Permitting an Increase in the Rentals, Tolls and Charges for Water Furnished by Them and Service Rendered by Them in Furnishing Water in the County of San Diego.* (Vol. 2, Opinions and Orders of the Railroad Commission of California, p. 464). In the opinion in that proceeding, Commissioner Eshleman, after exhaustively reviewing the authorities, states, at page 494:

"So that without going further into the general rule applying to contracts of public utilities respecting their public utility functions, I feel that we are justified in concluding that even as to a public utility water corporation, concerning which the decisions have been much more confusing than concerning any other kind of a utility, the right to fix a rate by contract is subject to the power of the state to substitute a rate fixed by the properly constituted authorities for the rate agreed upon by contract, and the sole function of contracts between a water company and its consumers, is to fix the relationship of the parties before the public authorities shall have acted, and in addition thereto probably would have the effect as to the land involved to 'establish its status as land permanently entitled to share in the public use.'"

Inasmuch as the consumers receiving water under the "reduced rate" contracts are paying less for the same class of service than those who are receiving water under contracts at the so-called "standard rate" of 62½ cents per acre, all of whom paid at least as large initial payments, and no just cause appearing for such discrimination, it becomes necessary for us to order the discrimination removed.

Applicant introduced testimony at the hearing in Application No. 4325, which it was stipulated might be considered in evidence in connection with the present proceeding, as to the value of its operative property, its gross income and its operating expenses. While the commission was not able to have its engineers make an appraisal of this property for the purpose of this proceeding, and while we are not in a position at this time to attempt to fix any valuation for applicant's entire plant, nevertheless there is no question but that the annual rate of 62½ cents per acre plus the initial payment, for service such as applicant is rendering, is one of the lowest rates in the state, and we do not believe that any of the protestants would claim that it is an exorbitant or unreasonable rate, their contention having been throughout not that the increased rates asked for were unreasonable, but that their lower rates were fixed by contract.

The evidence, however, brought out the fact that applicant has been collecting, from practically all of its consumers receiving water at the standard rate, an initial charge of from \$500.00 to \$1,600.00 per 160 acres for so-called water rights. Furthermore, it has been, and apparently still is, the practice of applicant to refuse to allow its consumers to discontinue paying for water under their respective contracts, even if they receive no water whatsoever and wish to abandon all their rights under such contracts. In cases such as this, it has been the policy of applicant either to transfer the water rights to some other water user located on other land, in which case applicant would generally cancel the contract, but without returning to the original water user the initial payment thereon, or, if it could not relocate the "water right" on some other land, it would charge the landowner the entire amount of annual water rental to be paid until the expiration of the contract in 1921, minus a discount of 7 per cent. Applicant would then later "sell" this same water right to some other consumer and pocket the "bonus." We are at a loss to understand under what theory Fresno Canal and Land Corporation, which asks us to annul its contracts because it and its predecessors in interest have for the last 48 years been public utilities, can require its water users to pay it a bonus before giving them any contract water, provided it has any to sell, and at the same time charge its old consumers, under contracts which the latter desire to annul, for water which they do not receive. Such a practice is, in our opinion, not only inequitable, but absolutely illegal, and must be discontinued at once.

ORDER.

Fresno Canal and Land Corporation having filed its petition in the above-entitled proceeding, as set forth in the opinion which precedes

this order, public hearings having been held thereon and the commission being fully apprised in the premises.

The Railroad Commission hereby finds as a fact that those annual rates charged by Fresno Canal and Land Corporation which are below sixty-two and one-half ($62\frac{1}{2}$) cents per acre, with the exception of those contracts for so-called "free water" which were issued in exchange for water rights surrendered, are unjust, unreasonable and discriminatory and that the rates herein authorized are just and reasonable rates.

Basing its order on the foregoing finding of fact, and on the further findings of fact contained in the opinion which precedes this order,

It is hereby ordered:

1. That Fresno Canal and Land Corporation shall, on or before the thirty-first day of July, 1919, abate said discrimination.

2. Fresno Canal and Land Corporation is hereby authorized to charge and collect from all contract users of water an annual charge of sixty-two and one-half ($62\frac{1}{2}$) cents per acre, with the exception of those consumers who are receiving water under contracts for free service or reduced rates which were executed in exchange for actual water rights transferred to applicant's predecessor in interest, such as the Hyde contract, referred to in the foregoing opinion, or contracts executed in consideration of the relinquishment of rights under said original contracts.

3. Said Fresno Canal and Land Corporation shall, on or before the thirty-first day of July, 1919, file with this commission copies of all contracts for service of water, free or at reduced rates, which were executed in exchange for actual water rights transferred to applicant or its predecessor in interest, and also a list of all persons now receiving such service under or through this class of contracts, together with the size and description of each parcel of land so served.

4. Said Fresno Canal and Land Corporation shall immediately cease charging contract users of water any initial payment for the execution of contracts over and above the annual rate of sixty-two and one-half ($62\frac{1}{2}$) cents per acre per year, and shall not make or collect any charge from present contract holders under the standard form of contracts for water rentals when the latter refuse to take water and offer to surrender and cancel their contracts.

5. On or before July 31, 1919, Fresno Canal and Land Corporation shall file with the Railroad Commission its new schedule of rates and its revised rules and regulations, in accordance with the opinion which precedes this order.

Dated at San Francisco, California, this sixth day of June, 1919.

DECISION No. 6395.

IN THE MATTER OF THE APPLICATION OF SEQUOIA NATIONAL PARK STAGE COMPANY FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE PASSENGER AND EXPRESS SERVICE BETWEEN VISALIA AND THE SEQUOIA NATIONAL PARK LINE, VIA LEMON COVE.

Application No. 4561.

Decided June 10, 1919.

AUTO STAGES—COMPETITION WITH ELECTRIC RAILWAYS.—An auto stage line is denied a certificate to operate between two towns which are already given adequate service by an electric railway, which railway is willing, and has sufficient equipment, to properly handle all traffic offered. Applicant granted permission to operate auto stage service between Lemon Cove and Sequoia National Park Line. Portion of petition relative to operation between Visalia and Lemon Cove denied.

Earnsworth, McClure & Burke, for Applicant.

Power & McFadden and *O. A. Smith*, for the Visalia Electric Railroad, Protestant.

Karl A. Machetanz, for the Exeter Board of Trade and the citizens of Exeter and vicinity, Protestants.

N. F. Bradley, for Harry R. Kamp, Protestant.

Frank Lamberton, for the Visalia Board of Trade.

A. F. Jewett, for the Hanford Board of Trade and the citizens of Kings County.

BY THE COMMISSION.

ORDER.

Orval Overall and E. L. Askin, partners in business under the fictitious name of Sequoia National Park Stage Company, have petitioned the Railroad Commission for an order declaring that public convenience and necessity require the operation by them of an automobile stage line as a common carrier of passengers, baggage and express between Visalia and the Sequoia National Park line.

A public hearing was conducted by Examiner Handford at Visalia on Thursday, May 29, 1919, the matter was duly submitted and is now ready for decision.

Applicants propose to charge rates in accordance with a schedule marked Exhibit "B" and attached to the application in this proceeding and to operate on a schedule of one round trip daily serving as intermediate points the communities at Lemon Cove, Three Rivers and Kaweah. Applicants desire to operate between Kaweah and the boundary line of the Sequoia National Park during the period from May 20 to September 15 of each year, or during such period as the federal authorities declare the Sequoia National Park open for visitors. Operation between Visalia and Kaweah is proposed to be conducted throughout the entire year. Applicants have not yet secured the equipment

proposed to be operated over this line with the exception of a small truck which is to be used in the transportation of baggage and express matter. The passenger equipment is proposed to be secured by leasing same, at least for the summer season of the current year.

The applicants hold an exclusive concession from the federal government authorizing them to conduct a stage and transportation service within the limits of the Sequoia National Park and the purpose of this application is to establish a stage line from Visalia to the boundary of the Sequoia National Park, a distance of forty miles from Visalia. In past years the stage service which has been operated into the Sequoia National Park has been operated from Lemon Cove, but applicants herein considering Visalia as the more logical point for the commencement of the journey of tourists and visitors to the Sequoia National Park, have requested authorization of such a route with Visalia as the originating point.

Applicants base their desire for the establishment of Visalia as the originating point upon the fact that Visalia is served by a number of stage lines from San Joaquin Valley points, such stage lines having schedules which would deliver prospective passengers to the Sequoia National Park at Visalia at an hour in the morning which would enable them to take the stages of the applicants on the schedule as proposed. Trains of the Southern Pacific and The Atchison, Topeka and Santa Fe would also deliver prospective passengers at Visalia at an hour permitting connection to be made with the automobile stage service as proposed by applicants herein. The hour of arrival at Visalia from the Sequoia National Park is so scheduled as to permit passengers to take the night trains of the Southern Pacific Company and The Atchison, Topeka and Santa Fe Railway to their destinations, north or south, such trains providing sleeping car accommodations. There would be few, if any, connections made with stage lines leaving Visalia for points in the San Joaquin Valley due to the late arrival of the stages of the applicants, according to the schedule as now proposed, but Visalia offers satisfactory hotel accommodations for such patrons of the proposed line who might desire to spend the night in Visalia and resume their journey the following morning. Applicants herein also desire to handle local traffic between Visalia and Lemon Cove, such traffic being in competition with the service offered by the Visalia Electric Railroad.

Witnesses for applicants testified as to the public convenience and necessity to be served by the stage line as proposed by applicants herein and as to the desirability, in their opinion, of the establishment of Visalia as the terminus of such line.

This application is opposed by the Visalia Electric Railroad, by the Exeter Board of Trade, by the citizens of Exeter and vicinity, such

protestants being represented by counsel at the hearing in this matter, also by protests from the citizens, representatives and taxpayers of the town of Woodlake and vicinity, the town of Lemon Cove and vicinity, the city of Exeter and vicinity, and the citizens of the community known as Merryman and vicinity.

The Visalia Electric Railroad protests the granting of this application as regards the portion of the route between Visalia and Lemon Cove, the protest being based on the competition that will arise as regards the local business between these points and intermediate stations. The Visalia Electric Railroad serves the territory between Visalia and Lemon Cove, three daily trains being operated from Visalia to Lemon Cove and four daily trains being operated from Lemon Cove to Visalia, one train, however, between Lemon Cove and Visalia requiring a thirty-six-minute layover at Exeter.

The passenger business of the Visalia Electric Railroad is steadily decreasing, such decrease being declared by the operating officials to be due to the great number of privately-owned automobiles which are used in the territory served by this line. Statements presented by this protestant indicate that the line has not been operated at a profit and that a deficit exists in that the revenues derived from operation do not equal the operating expenses. The business between Visalia and Lemon Cove for the calendar year 1918 approximates a revenue of but \$2,235.55, and it is apparent that such revenue would be diminished if authorization for a stage line operating between the same terminal points were to be made. The evidence in this proceeding does not indicate any demand on the part of the public for the establishment of a local service by automobile stage between Visalia and Lemon Cove, nor was any evidence presented which would indicate that the service of the Visalia Electric Railroad between Lemon Cove and Visalia was not ample for the needs of the traveling public. The Visalia Electric Railroad has ample equipment and facilities to satisfy the demands of traffic between these points.

Witnesses for protestants representing the communities above mentioned who oppose the granting of this application testified as to the satisfactory service given by the Visalia Electric Railroad and to their objection as to the establishment of the stage line over the route as herein sought. It appears that there is some contention between rival communities as to the originating point from which a stage line should start, with a terminus in the Sequoia National Park, each community evidently desiring the publicity that would accrue by reason of their particular locality being selected as the point from which a stage line would commence its trips for the Sequoia National Park.

After careful consideration of all the evidence in this proceeding, we are of the opinion that public necessity and convenience do not

require the establishment of an automobile stage line as a common carrier of passengers and express between Visalia and Lemon Cove on the route herein sought by applicants, the service of the Visalia Electric Railroad being sufficient to care for the local travel between Visalia and Lemon Cove and for the through travel originating at Visalia and destined to points beyond Lemon Cove to and including Sequoia National Park. The Visalia Electric Railroad has ample equipment and facilities to satisfactorily handle all business offered over the portion of the route between Visalia and Lemon Cove and such minor adjustment of the matter of schedules can be made, rendering possible adequate and convenient service in connection with the stage line, whose terminal would be at Lemon Cove. Duplication of transportation facilities between points where but slight demand exists for service, as appears from the evidence in this proceeding, is not in the public interest, particularly so if existing transportation facilities are ample not only to meet the existing needs of the traveling public but to care for a considerably larger amount of business.

Applicants herein have secured permits from the board of supervisors of Tulare County and the board of trustees of the city of Visalia in accordance with requirements of section 3 of chapter 213, laws of 1917, as evidenced by certified copies thereof filed with the application in this proceeding.

The Railroad Commission hereby declares that public convenience and necessity require the operation by Orval Overall and E. L. Askin, partners in business operating under the fictitious name of the Sequoia National Park Stage Company, of an automobile stage line as a common carrier of passengers and express between Lemon Cove and the Sequoia National Park line, serving as intermediate stations the communities at Three Rivers and Kaweah; provided, however, that the rights and privileges hereby granted may not be transferred nor assigned unless the written consent of the Railroad Commission to such transfer or assignment has first been secured.

It is hereby ordered that the service herein authorized shall be operated from Lemon Cove to the Sequoia National Park line during such periods of each year as the Sequoia National Park may be open to visitors and automobile traffic and shall be operated during the remaining portion of the year between Lemon Cove and Kaweah.

It is hereby further ordered that no vehicle may be operated under this permit unless such vehicle is owned by the applicants herein or is leased by such applicants under a contract or agreement on a basis satisfactory to the Railroad Commission.

Dated at San Francisco, California, this tenth day of June, 1919.

DECISION No. 6396.

IN THE MATTER OF THE APPLICATION OF THE PALMDALE WATER COMPANY, A CORPORATION, FOR AN ORDER APPROVING THE PLANS AND SPECIFICATIONS OF A CERTAIN DAM ON LITTLE-ROCK CREEK, IN LITTLEROCK CANYON, LOS ANGELES COUNTY, CALIFORNIA, AND FOR PERMISSION TO CONSTRUCT THE SAME.

Application No. 4319.

Decided June 10, 1919.

DAMS—METHODS OF CONSTRUCTION—APPROVAL OF—INSPECTIONS.—Applicant's plans and specifications for the construction of a dam on Littlerock Creek approved and it is directed to proceed with such construction work, provided detailed plans be submitted for approval as such work progresses and that periodical inspections be made by engineers of the commission.

Donald Barker and James M. O'Brien, for Applicant.

W. C. Petchner, for Palmdale Irrigation District.

Jesse Waterman, for Littlerock Creek Irrigation District.

W. F. McClure, for Department of Engineering, State of California.

BRUNDIGE, EDGERTON and MARTIN, *Commissioners*.

OPINION.

This is an application of Palmdale Water Company, a public utility corporation, for authority to construct an impounding dam in Littlerock Creek Canyon near Palmdale, Los Angeles County.

The application alleges in effect that applicant owns and operates an irrigation system and delivers water to lands in the vicinity of Palmdale; that applicant contemplates the construction of a storage reservoir to impound the waters of Littlerock Creek, and has had plans and specifications prepared for a multiple arch type of dam, and prays that this commission approve the plans and specifications and authorize the construction of the proposed dam.

Public hearings were held in this proceeding in Los Angeles on March 3, and in San Francisco on May 29, 1919.

We have given very careful consideration to the principles and details of the design affecting the safety and economy of the construction of a dam at the proposed site. The comprehensive evidence before us enables us to analyze the design and feasibility of this type of dam. After carefully considering all of the evidence submitted, we are convinced that so far as the type of structure goes, applicant should be authorized to proceed with its construction.

The plans and specifications in evidence, which were submitted for the purpose of obtaining authorization for the construction of this type of dam, rather than as complete working drawings, do not show suffi-

cient detail to determine whether or not all of the auxiliary features of the design are satisfactory. We shall therefore recommend that as soon as available further details of design be submitted for our approval. These features include detailed design of the siphon spillway, together with computations showing capacity; plans for outlet which shall be furnished as soon as location can be definitely determined, which shall include provisions for balance action of the outlet valves; drawings showing dimensions and location of steel reinforcement; and detail of the design of struts.

The specifications for concrete should provide for a mixture only sufficiently wet to assure proper covering of the reinforcement and to permit efficient handling without a segregation of the materials. The quantity of water used should be measured in order to produce a concrete of uniform consistency.

Although we recommend that applicant be authorized to construct this dam, we believe it advisable that inspection be made during the construction period of the methods used, and that no material be placed in the excavation for cut-off walls or other portions of the structure until inspection has been made and authorization granted.

In the matter of the approval of further details of designs discussed above, in the inspection of foundations and methods of construction, and in any modification of design which may be made necessary as the construction proceeds, we invite the co-operation and suggestions of the State Engineering Department. Applicant is ordered to file with the State Engineering Department duplicates of all data required by this commission.

ORDER.

The Palmdale Water Company, a public utility corporation, having made application for an order approving the plans and specifications of a dam to be constructed on Littlerock Creek in Los Angeles County, and public hearings having been held and the commission being fully apprised in the premises.

It is hereby ordered that Palmdale Water Company be and it is hereby authorized to proceed with the construction of a dam on Little-rock Creek, according to the plans, specifications and maps on file with the commission, making such changes as are outlined in the opinion preceding this order and as may be necessary from time to time in the future as approved and authorized by this commission.

It is hereby further ordered that in the construction of the proposed dam, applicant shall proceed only so far as may be specifically authorized by this commission in writing, and that there shall be no material placed upon the foundations or in the excavation to be occupied by cut-off walls or buttresses until they have been inspected by a duly authorized representative of the commission.

It is hereby further ordered that the authority herein granted is conditional upon the commencement of construction within six (6) months from the date hereof and for the completion of the construction as indicated within eighteen (18) months from the date of commencement.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this tenth day of June, 1919.

DECISION No. 6397.

IN THE MATTER OF THE APPLICATION OF HOLTON POWER COMPANY FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF FIFTY THOUSAND DOLLARS PAR VALUE OF FIRST AND REFUNDING MORTGAGE GOLD BONDS.

Application No. 4443.

Decided June 10, 1919.

ELECTRIC UTILITIES—SEPARATE CORPORATION OPERATED BY HOLDING COMPANY—CONSOLIDATION OF.—It is held to be unnecessary and uneconomical for a holding company to maintain separate corporations in each of the different territories in which it operates, and it is recommended that such companies be consolidated for the purpose of eliminating unnecessary overhead and other expenses in connection with the operation of separate corporate organizations. Applicant authorized to issue \$50,000.00 face value of first and refunding bonds to be sold at not less than \$5, proceeds to be used to discharge indebtedness incurred in refunding a like face value of first mortgage bonds.

E. B. Criddle and H. W. Coil, for Applicant.

BY THE COMMISSION.

OPINION.

Holton Power Company asks permission to issue \$50,000.00 face value of its first and refunding mortgage gold bonds for the purpose of paying and refunding indebtedness incurred for the purpose of paying \$50,000.00 of its first mortgage bonds.

Holton Power Company was organized on September 16, 1903. The company has an authorized stock issue of \$1,500,000.00, divided into 15,000 shares of the par value of \$100.00 each. Stock in the amount of \$1,250,000.00 was reported outstanding on December 31, 1918. The annual report, filed by the company with the commission, for 1918 shows that \$1,249,000.00 of the outstanding stock is held by W. Sherman Fisher, trustee. The testimony in a recent rate proceeding shows that the outstanding stock of the Holton Power Company, except shares

necessary to qualify directors, is owned by the Nevada-California Electric Corporation, a holding company which controls through stock ownership not only applicant but also The Southern Sierras Power Company.

Holton Power Company on April 1, 1907, executed a mortgage securing the payment of \$500,000.00 of first mortgage 6 per cent bonds. On October 1, 1911, it executed a first and refunding mortgage securing the payment of \$1,000,000.00 of 6 per cent bonds. All of the company's first mortgage bonds have been issued and sold. Of the first and refunding mortgage bonds, \$500,000.00 have been issued and sold and \$500,000.00 are appropriated to pay and refund the company's first mortgage bonds. The first mortgage bonds mature annually beginning January 1, 1918, to and including January 1, 1937, at the rate of \$25,000.00 per annum, while the first and refunding bonds mature annually beginning October 1, 1932, to October 1, 1951, at the rate of \$50,000.00 per annum. The record shows that applicant has paid \$49,000.00 of its first mortgage bonds and has deposited \$1,000.00 with the First National Bank of Redlands for the purpose of paying a matured \$1,000.00 bond which has as yet not been presented for payment.

The Railroad Commission has authorized applicant to issue \$500,000.00 of its first and refunding bonds: \$300,000.00 by Decision No. 122, dated June 3, 1912 (Vol. 1, Opinions and Orders of the Railroad Commission of California, page 249); \$200,000.00 by Decision No. 1894, dated October 21, 1914 (Vol. 5, Opinions and Orders of the Railroad Commission of California, page 645). The commission for reasons stated in the decisions authorized applicant to issue its bonds at not less than 80 per cent of their par value plus accrued interest. Applicant now requests that it be permitted to sell the \$50,000.00 of bonds applied for at not less than 80 and accrued interest. The request, it occurs to us, overlooks the fact that applicant is no longer operating under the conditions prevailing in 1912 and 1914. The order herein will, therefore, provide that the bonds may be issued and sold for not less than 85 per cent of their face value and accrued interest.

In Exhibit "1" applicant under intercompany accounts reports that there is due it the sum of \$137,931.23, and that it is indebted in the sum of \$551,553.22. The commission suggests that applicant endeavor to collect the moneys due it and apply such moneys to a reduction of its current indebtedness. It further suggests that serious consideration be given to the consolidation of the properties of the Holton Power Company and The Southern Sierras Power Company. As stated, both of these corporations are controlled by the same holding company. The reason for continuing a separate corporation to conduct a portion of the electrical business in the Imperial Valley is not apparent. It occurs

to us that it is to the interest of the consumer as well as to the investors in this property to conduct its operations in the most economical manner, and that this can be done only by eliminating unnecessary overhead and other expenses in connection with the maintenance of a corporate organization for which there is no apparent necessity.

ORDER.

Holton Power Company having applied to the Railroad Commission for permission to issue \$50,000.00 face value of its 6 per cent first and refunding bonds, a public hearing having been held and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income.

It is hereby ordered that Holton Power Company be and it is hereby granted authority to issue and sell at not less than 85 per cent of their face value plus accrued interest, \$50,000.00 of its first and refunding 6 per cent bonds, upon the following conditions and not otherwise:

1. The proceeds obtained from the sale of the bonds shall be used by applicant to pay indebtedness incurred for the purpose of securing moneys to pay the \$50,000.00 of first mortgage bonds referred to in the petition herein.

2. Holton Power Company shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

4. The authority herein granted shall apply only to such bonds as may be issued on or before December 15, 1919.

Dated at San Francisco, California, this tenth day of June, 1919.

DECISION NO. 6398.

IN THE MATTER OF THE APPLICATION OF SIERRA AND SAN FRANCISCO POWER COMPANY FOR AUTHORIZATION TO ISSUE AND SELL ITS PROMISSORY NOTES OF THE FACE VALUE OF ONE HUNDRED FIFTY THOUSAND DOLLARS AND TO PLEDGE ITS FIRST MORTGAGE BONDS TO SECURE SAID NOTES.

Application No. 4641.

Decided June 10, 1919.

Applicant authorized to pledge \$200,000.00 face value of bonds to secure an issue of \$150,000.00 face value of one-year notes, proceeds to be used for additions and betterments to plant. The notes, being issued for a period of not to exceed one year, no authorization for their issuance is necessary.

Chickering & Gregory, by W. C. Fox, for Applicant.

BY THE COMMISSION.

OPINION.

Sierra and San Francisco Power Company asks permission to issue \$150,000.00 face value of one-year notes and secure the payment of the notes by depositing \$200,000.00 face value of its first mortgage 5 per cent 40-year bonds, payable August 1, 1949.

By Decision No. 5376, dated May 2, 1918 (Vol. 15, Opinions and Orders of the Railroad Commission of California, page 662), as amended, the Railroad Commission authorized Sierra and San Francisco Power Company to issue and sell on or before December 31, 1919, at not less than 80 and accrued interest, \$1,000,000.00 of its 5 per cent first mortgage bonds. The record herein shows that the company has been unable to sell any of its bonds. Recently United Railways Investment Company has offered to purchase \$150,000.00 of applicant's one-year notes for the sum of \$140,000.00. The notes are to bear interest at the rate of 7 per cent per annum after maturity. The payment of the notes is to be secured by the deposit of \$200,000.00 of applicant's first mortgage 5 per cent bonds, the issue of which was authorized by Decision No. 5376. Under the provisions of the Public Utilities Act, the \$150,000.00 of one-year notes may be issued without an order from the Railroad Commission.

At the hearing held before Examiner Encell on June 7, H. F. Jackson, president of Sierra and San Francisco Power Company, testified that the company intends to proceed at once with the construction of a third penstock at its Stanislaus power plant. He estimates the cost of the additional penstock at \$125,000.00 and believes that the work can be completed within 6 months. The installation of a third penstock, he reports, will increase the plant output from 10,000,000 to 12,000,000 kilowatt hours per annum. The difference between the moneys realized from the sale of the notes and the cost of the penstock, applicant

57-41431

intends to use to pay for the construction of extensions, additions and betterments to its plant and system.

ORDER.

Sierra and San Francisco Power Company having applied to the Railroad Commission for authority to issue \$150,000.00 face value of one-year notes and pledge \$200,000.00 of its first mortgage bonds, a public hearing having been held, and it appearing to the Railroad Commission that the notes may be issued without an order from the commission, that the money, property or labor to be procured or paid for by the issue and pledging of the \$200,000.00 of bonds is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Sierra and San Francisco Power Company be and it is hereby granted authority to issue and pledge \$200,000.00 face value of its first mortgage 40-year gold bonds, payable August 1, 1949, for the purpose of securing the payment of the notes referred to in the petition herein.

The authority herein granted is upon the following conditions and not otherwise:

1. The \$200,000.00 of bonds herein authorized to be pledged shall be considered to be a part of the \$1,000,000.00 of bonds, the issue of which the commission authorized by Decision No. 5376, dated May 2, 1918.

2. The moneys obtained through the pledging of the \$200,000.00 of bonds shall be expended by applicant to pay for the installation of an additional penstock at its Stanislaus power plant and to pay for the construction of extensions, additions and betterments to its plant and system.

3. Upon the payment of a part or all of the notes referred to in the petition herein, a proportional part or all of the bonds pledged as collateral shall be returned to applicant's treasury and thereafter issued only for such purposes as the Railroad Commission may authorize.

4. Sierra and San Francisco Power Company shall keep such record of the issue of the bonds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

6. The authority herein granted shall apply only to such bonds as may be issued on or before December 31, 1919.

Dated at San Francisco, California, this tenth day of June, 1919.

DECISION No. 6406.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF DEBENTURES.

Application No. 4572.*Decided June 10, 1919.*

INCOME—CAPITAL EXPENDITURES FROM—REFUNDING OF.—Section 52 of the Public Utilities Act provides for a public utility to use the proceeds of security sales for the purpose of reimbursing treasury for capital expenditures made, provided the utility has kept its accounts and vouchers in such form as to enable the commission to determine the exact amount so expended. When permission is asked to so reimburse treasury it is incumbent on the utility to make a specific showing as to such expenditures, in the absence of which, authorization requested can not be given. Applicant granted permission to execute supplemental debenture agreement and issue, at not less than 88, \$1,000,000.00 face value of 6 per cent debentures, proceeds to be used to discharge notes and accounts payable, the balance for additions and betterments to plant.

Murray Bourne, for Applicant.

EDGERTON, *Commissioner*.

OPINION.

The Railroad Commission is asked to make an order authorizing San Joaquin Light and Power Corporation to execute an amendment to its debenture agreement dated May 1, 1917; to issue and sell at 88 and accrued interest \$1,000,000.00 of its Series "B" 6 per cent convertible debentures due May 1, 1929, and use the proceeds obtained from the sale of the debentures to reimburse its treasury and pay for construction expenditures incurred or to be incurred.

Pursuant to an order of the Railroad Commission, San Joaquin Light and Power Corporation on May 1, 1917, executed to Security Trust and Savings Bank, trustee, a debenture trust agreement defining the terms and conditions under which it might issue \$4,500,000.00 of convertible debentures. Series "A" 6 per cent 10-year debentures, due May 1, 1927, in the principal sum of \$1,000,000.00 have been issued and sold. Article VI of the debenture trust agreement permits the corporation and trustee to amend the agreement without any action on the part of the holders of the debentures, provided that the amendments are not inconsistent with the provisions of the agreement or impair the rights of the holders of the debentures. The proposed supplemental debenture agreement, the execution of which the commission is asked to authorize, is to be executed solely for the purpose of setting forth in regard to Series "B" debentures, the changes as compared to Series "A" debentures heretofore issued under the original agreement dated May 1, 1917. The Series "B" debentures mature May 1, 1929,

whereas the Series "A" mature May 1, 1927. In all other respects, the Series "B" debentures are to be issued under substantially the same terms and conditions as were the Series "A."

In Exhibit "1," applicant reports that from January 1, 1917, to April 30, 1919, it expended for construction purposes, exclusive of expenditures for preliminary surveys and reconnaissance work a total of \$3,460,699.65. Against these expenditures, it has issued \$1,858,000.00 of bonds, \$1,000,000.00 of debentures and has expended earnings which can not be capitalized in the sum of \$89,765.60, making a grand total of \$2,947,765.60, or \$512,934.05 less than the total expenditures. Mr. A. E. Peat, treasurer and comptroller of the San Joaquin Light and Power Corporation, testified that the company had incurred some open account indebtedness, issued notes and invested earnings in order to construct the extensions, additions and estimates against which no stocks or securities have been issued. He was unable, however, to definitely advise the commission to what extent surplus earnings have been used to pay for expenditures on capital account. Section 52 of the Public Utilities Act contains, among others, a provision that subject to the approval of the Railroad Commission a public utility may issue stocks and stock certificates, and bonds, notes and other evidences of indebtedness, payable at periods of more than twelve months after the date thereof for the following purposes and no others, namely, for the acquisition of property, or for the construction, completion, extension or improvement of its facilities, or for the improvement or maintenance of its service, or for the discharge or lawful refunding of its obligations, or for the reimbursement of moneys actually expended from income or from any other moneys in the treasury of the public utility not secured by or obtained from the issue of stocks or stock certificates, or bonds, notes, or other evidences of indebtedness of such public utility, for any of the aforesaid purposes except maintenance or service and replacements, in cases where the applicant shall have kept its accounts and vouchers for such expenditures in such manner as to enable the commission to ascertain the amount of moneys so expended and the purposes for which such expenditure was made. When a public utility asks permission to issue stock or securities to reimburse its treasury because of moneys actually expended from income, it is incumbent upon the utility to make a specific showing to what extent it has drawn upon its income to pay for such improvements. In the absence of such a showing, the proceeds obtained from the sale of stock or securities should be used to pay existing indebtedness.

Applicant in this proceeding reports that on February 28, 1919, it owed in the form of notes payable the sum of \$496,973, and in the form of accounts payable \$632,539.66, making a total of \$1,129,512.66. I

recommend that applicant be given authority to use the proceeds from the sale of \$512,934.05 of debentures to pay in part its notes and accounts payable referred to in the petition herein.

The records show that applicant has begun actual construction work on its power plant No. 6 located on the main San Joaquin River. This plant, when completed, will have a generating capacity of 30,000 kilowatts. In Exhibit "1," applicant reports that it has expended for surveys in connection with power plant No. 6 the sum of \$3,845.95, and that its construction expenditures for the eight months ending December 31, 1919, will aggregate \$2,365,720.74, which applicant segregates as follows:

Production capital—electric system.....	\$1,555,621 51
Transmission capital—electric system.....	161,022 67
Substation capital—electric system.....	108,500 57
Distribution capital—electric system.....	529,453 53
General capital.....	4,153 05
Gas, water and railway capital.....	6,879 41
Total	\$2,365,720 74

The \$1,555,621.51 includes \$1,481,227.54, which applicant estimates it will expend on its new power plant No. 6 during the eight months ending December 31, 1919.

I herewith submit the following form of order:

ORDER.

San Joaquin Light and Power Corporation having applied to the Railroad Commission for permission to execute a supplemental debenture agreement and issue \$1,000,000.00 of Series "B" 6 per cent 10-year convertible gold debentures due May 1, 1929, a public hearing having been held and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified herein, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that San Joaquin Light and Power Corporation be and it is hereby granted authority to execute a supplemental debenture trust agreement substantially in the same form as the supplemental debenture trust agreement filed with the Railroad Commission on May 24, 1919.

It is hereby further ordered that San Joaquin Light and Power Corporation be and it is hereby granted authority to issue and sell at not less than 88 per cent of their face value and accrued interest, for cash, \$1,000,000.00 of Series "B" 6 per cent convertible gold debentures due May 1, 1929.

The authority herein granted is upon the following conditions, and not otherwise:

1. The proceeds from the sale of \$512,934.05 of debentures herein authorized to be issued may be used by applicant to pay notes and accounts payable referred to in the petition herein.

2. The proceeds from the sale of \$488,065.95 of debentures herein authorized to be issued, as well as any part of the proceeds from said \$512,934.05 of debentures not used to pay notes and accounts payable referred to in the petition herein, shall be used by applicant to pay in part for the construction of the improvements, extensions, betterments and additions set forth in applicant's Exhibit No. "1."

3. The approval herein given of said supplemental debenture trust agreement is for the purpose of this proceeding only and an approval in so far as this commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said supplemental debenture trust agreement as to such other legal requirements to which said supplemental debenture trust agreement may be subject.

4. San Joaquin Light and Power Corporation shall keep such record of the issue and sale of the debentures herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

6. The authority herein granted shall apply only to such debentures as may be issued on or before December 15, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this tenth day of June, 1919.

DECISION No. 6407.

ASSETS REALIZING MINES CORPORATION

vs.

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY AND
WALKER D. HINES, DIRECTOR GENERAL OF RAILROADS, U. S.
RAILROAD ADMINISTRATION.

Case No. 1307.*Decided June 12, 1919.*

LONG AND SHORT HAUL CLAUSE—DEFINITION OF TERM "LINE."—Provision of the long and short haul clause of the Constitution and the Public Utilities Act prohibiting the charging of a greater rate for a shorter than for a longer haul, does not restrict to movements over the line of an individual carrier only, but includes hauls over the lines or route of any number of carriers. Defendant directed to refund to complainant the sum of \$32.45 with interest at 7 per cent from date of collection, being overcharge on shipment of well-boring outfit, Los Angeles to Blythe Junction.

L. G. Wilson, of Bishop & Bahler, for Complainant.

A. M. Reinhardt and E. W. Camp, for Defendants.

LOVELAND, Commissioner.

OPINION.

Complainant, a corporation engaged in the mining industry with principal place of business in the town of Blythe, California, alleges by complaint duly filed that the rate charged by defendants for transportation of a carload of well-boring outfit moving from Los Angeles to Blythe Junction, California, April 13, 1917, some time prior to the period of federal control, was unlawful and in violation of section 24 of the Public Utilities Act. Refund of the alleged unlawful charges with interest is sought. Rates are stated in cents per 100 pounds.

Revenue of \$157.25 was collected on basis of through Class A rate of 63 cents. It is admitted by defendants that rate of 62 cents, made up Los Angeles to Crucero 16 cents, Crucero to Ludlow 12 cents and Ludlow to Blythe Junction 34 cents, should not be exceeded. The rate claimed is a combination of rates from Los Angeles to Ludlow of 16 cents and from Ludlow to Blythe Junction of 34 cents, the first factor being published in the shape of a joint commodity rate from Los Angeles to Crucero, the second being Class A rate of The Atchison, Topeka and Santa Fe Railway Company, hereinafter at times referred to as the Santa Fe, from Ludlow to Blythe Junction.

The question involved is whether the joint rate of 16 cents per 100 pounds from Los Angeles to Crucero was lawfully applicable to transportation via the Santa Fe from Los Angeles to Ludlow.

At rate of 50 cents contended for by complainant, charges would amount to \$124.80, or a difference of \$32.45. The rate of 16 cents per 100 pounds from Los Angeles to Crucero is carried in a joint tariff of the Santa Fe and the Tonopah and Tidewater Railroad, Ludlow being the junction point between the respective carriers. The rate was not published to latter point either in the joint tariff or in the local issue of the Santa Fe; the joint tariff carried an application clause as follows:

"Except as otherwise provided in individual items, rates to directly intermediate points to which a specific rate is not named will be the same as the rate to the next more distant point on the same line to which a specific rate is named."

which rule, in substance, continued in effect until December 26, 1917, when it was amended by the addition of a note reading:

"The term 'line,' as used in this application, means the individual company on whose line the point having a specific rate is located, and such rate must not be used to determine a rate to a point on any other line."

It is urged by complainant that under the application clause in effect at time of shipment the rate of 16 cents could not lawfully be exceeded at Ludlow as it is an intermediate point on the line or route running from Los Angeles to Crucero. The position of defendants is that the term "line" means, and such has always been the interpretation of the carriers, the individual road on whose line the point having a specific rate is located and that the amended application clause is simply a clarification of the rule previously carried.

Section 20, article 12 of the constitution and section 24 (a) of the Public Utilities Act of this state provide that:

"No common carrier subject to the provisions of this act shall charge or receive any greater compensation in the aggregate for the transportation of persons or of a like kind of property for a shorter than for a longer distance over the *same line or route* in the same direction, within this state, the shorter being included within the longer distance * * *. Upon application to the commission, such common carrier may, in special cases, after investigation, be authorized by the commission to charge less for a longer than for a shorter distance for the transportation of persons or property, and the commission may from time to time prescribe the extent to which such carrier may be relieved from the operation and requirements of this section."

It will be observed the inhibition of the long and short haul clause above set forth is not restricted to movement over the line of one transportation company only, but comprehends hauls over the lines or routes of any number of carriers.

The records of the commission fail to show that application was ever made by either of the carriers, parties to the joint tariff, to deviate from the long and short haul section of the Public Utilities Act and the Constitution, and therefore the collection of a greater charge to a shorter distance point than contemporaneously charged for like shipments to a longer distant point would be in violation of the law.

This point need not be dwelt upon at length, however, as it is unnecessary to go beyond the provisions of the tariff itself in determining the issues raised by this proceeding. In doing so consideration should be given only to the actual phraseology of the tariff and not what may have been intended by its framers or to any interpretation which may have been placed on same at variance with the literal wording. I am of the opinion it would be an unwarrantable inference to hold that the term "on the same line" means only the individual road on whose rails the point having a specific rate is located.

It certainly is not beyond the realm of reason to consider the term "line" to mean the line or route traversed in transporting property between two points covered by a given rate or, in this instance, the through line from Los Angeles to Cruzero.

In tariff construction words should be employed with clear and unmistakable meaning so that no confusion or uncertainty may arise in the minds of those consulting such publications. If it were the desire of defendants to restrict the rate of 16 cents from Los Angeles to Cruzero to apply only to intermediate points on the line of the Tonopah and Tidewater Railroad, tariff should have so stated. To place a construction such as that presented by defendants is to arbitrarily read into the tariff something that is entirely unsupported by the literal wording. It is only the intervening question of jurisdiction which prevents this commission from directing the U. S. Railroad Administration officials to remove the present provision which restricts the intermediate application only to the individual road on whose rails the point having a specific rate is located and which was established without application having been made beforehand and the authority of this commission received to violate the long and short haul clause of the Public Utilities Act.

It is my opinion, and I hereby find as a fact, that the rate charged was unlawful in that it exceeded a combination on Ludlow using the 16-cent commodity rate to Cruzero as a maximum at Ludlow plus the Class A rate of 34 cents beyond and that refund of the overcharge with interest should be made to complainant who paid and bore the charges.

The following form of order is submitted:

ORDER.

Complaint and answer having been filed in the above-entitled proceeding, a public hearing having been held, the commission being fully apprised in the premises and basing its order on the findings of fact which appear in the foregoing opinion,

It is hereby ordered that The Atchison, Topeka and Santa Fe Railway Company pay to the Assets Realizing Mines Corporation the

charges unlawfully collected for the transportation of a carload shipment of well-boring outfit from Los Angeles to Blythe Junction, April 13, 1917, in amount \$32.45, together with interest thereon at rate of 7 per cent per annum from date of collection.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twelfth day of June, 1919.

DECISION No. 6408.

IN THE MATTER OF THE APPLICATION OF ONTARIO POWER COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF SERIAL GOLD NOTES.

Application No. 4598.

Decided June 12, 1919.

Applicant authorized to issue \$12,000.00 face value 7 per cent serial notes to be sold at not less than par, proceeds to be used in part payment of the cost of construction of its generating unit No. 2.

Glen D. Smith, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

Ontario Power Company asks permission to issue, at par plus accrued interest, \$12,000.00 face value of its 7 per cent serial notes. The proceeds from the notes applicant intends to use to pay for machinery, material and labor necessary to complete its hydroelectric power plant No. 2 in San Antonio Canyon.

On July 1, 1918, Decision No. 5535, the Railroad Commission authorized applicant to proceed with the construction of its hydroelectric power plant No. 2 and issue \$60,000.00 of 7 per cent serial notes to secure funds to pay for such construction. At that time the cost of the plant was estimated at \$64,551.00. Applicant now reports that because of the increase in the cost of machinery and material, and because of increases in wages paid, the cost of the plant will exceed the original estimate by approximately \$15,000.00.

Applicant has completed the installation of the diverting dam and headworks, flow line, penstock, power house building, and has practically completed the installation of the necessary transmission line from its first plant at the mouth of San Antonio Canyon to the new

plant together with the control circuits. It is ready to install the waterwheel and generator as soon as delivered.

The new power plant will have a generating capacity of 500 K. V. A. The annual output of the plant applicant estimates at not less than 2,500,000 kilowatt hours. The record shows that the operating cost of the new plant will be very low. It will not necessitate the employment of any operators. The operation will be partially automatic and partially motor controlled from applicant's existing power plant. Through the completion of the new plant, it will be possible for applicant to reduce the cost of power purchased from \$15,000.00 to \$16,000.00 per annum. Applicant has made arrangements to sell any surplus energy to Southern California Edison Company.

I herewith submit the following form of order:

ORDER.

Ontario Power Company having applied to the Railroad Commission for permission to issue \$12,000.00 of its 7 per cent serial notes, a public hearing having been held and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Ontario Power Company be and it is hereby granted authority to issue on or before October 1, 1919, at not less than par and accrued interest, \$12,000.00 face value of its 7 per cent serial notes and use the proceeds obtained from the sale of the notes to pay in part for the construction of its hydroelectric power plant No. 2, referred to in the petition herein.

The authority herein granted is subject to the following conditions:

(1) Ontario Power Company shall keep such record of the issue and sale of the serial notes herein authorized and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(2) The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twelfth day of June, 1919.

DECISION No. 6411.

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA FOR AUTHORITY TO INCREASE ITS RATES FOR NATURAL GAS SUPPLIED TO THE TOWNS OF ONTARIO AND UPLAND AND CONTIGUOUS UNINCORPORATED TERRITORY.

Application No. 4557.

Decided June 17, 1919.

On request of the utility a revised schedule of gas rates is established for the Ontario-Upland District of applicant which will result in a small decrease in revenue, applicant being of the opinion that such new schedule will materially aid in the extension of its business, thereby offsetting such early losses as might occur.

Hunsaker, Britt & LeRoy M. Edwards, for Applicant.

Isaac Jones, for city of Ontario.

J. H. Williams, for San Antonio Growers Association.

LOVELAND, *Commissioner*.

OPINION.

Southern Counties Gas Company requests the commission to determine and fix just and reasonable rates for gas service supplied in the towns of Ontario and Upland and contiguous territory, and urges that the rates now in effect in Southern Counties Gas Company's Eastern District are fair and reasonable rates and should be made effective in the towns of Ontario and Upland.

The rates now in effect for natural gas service in the towns of Ontario and Upland and contiguous territory were filed by Southern Counties Gas Company in the fall of 1917 upon the taking over the operation of the Ontario-Upland Gas Company's property by applicant and the introduction of natural gas.

In this commission's Decision No. 5539, in Application 3434, issued on July 3, 1918 (Opinions and Orders of the Railroad Commission of the State of California, Vol. 15, page 928), the commission fixed and established rates for natural gas service for domestic, commercial and industrial purposes to be charged by Southern Counties Gas Company in its Eastern District, which district included service in Orange County, also in Pomono, Chino, Lordsburg, Claremont, and contiguous territory. These rates applicant requests be made effective for the Ontario-Upland gas properties, which were finally purchased by applicant in December, 1918, and are now a part of its general system.

The evidence shows that the conditions of service in Ontario and Upland are similar to those in the Eastern District of applicant. Analysis of the sales of applicant in the Ontario-Upland District for the

year ending April 30, 1919, shows that the application of the Eastern District rates for domestic and commercial service will result in a net reduction of revenue of approximately \$3,350.00. The proposed rate calls for a minimum of \$1.00 per meter per month, which was found to be reasonable by the commission, while the existing rate requires a minimum of 50 cents. The application of this higher minimum will increase the bills of approximately one-fourth of the domestic consumers an average amount of approximately 25 cents. The proposed rates, however, for consumptions in excess of the minimum bill is less than the existing rates. The net result will be an average reduction in the rate of approximately 7 cents per thousand cubic feet. In the case of a consumer using 1,000 cubic feet, a 25 cents per thousand reduction will occur.

The industrial rates fixed by the commission in its Decision No. 5539 (*supra*), are, in general, higher than those which are now in effect in the Ontario-Upland District. The rates now in effect were fixed in 1917, prior to the general increase in cost of operation, and are based in general on prewar conditions, rather than on conditions as they at present exist. If the industrial consumers are placed upon schedules fixed by the commission for the Eastern District, there will be an increase in rate of from 12 to 18 per cent. These rates will, however, result in a cost for fuel less than the comparative cost of oil. The increase in revenue from industrial consumers resulting from the application of these rates would equal approximately \$2,000.00 per annum, and the net result of applying the proposed schedules to applicant's entire gas business in Ontario and Upland would be a net loss in gross revenue of approximately \$1,300.00. Applicant is of the belief that the new schedules, although resulting in a slight decrease in revenue at the start, will make possible the further development of business which will offset the reduction of revenue at this time.

Considering the conditions of cost of service in the Ontario-Upland District as compared with those of the Eastern District, where the commission found the proposed rates to be just and reasonable, it is my opinion that applicant's request should be granted, and I recommend the following form of order:

ORDER.

Southern Counties Gas Company having applied to the commission for the fixing of just and reasonable rates for natural gas service in the towns of Ontario and Upland and contiguous territory, a hearing having been held, and it appearing that the rates fixed by the commission in its Decision No. 5539, rendered July 3, 1918 (Opinions and Orders of the Railroad Commission of the State of California, Vol. 15,

page 928), are just and reasonable rates when applied to the service of gas in Ontario and Upland and contiguous territory,

It is hereby ordered that Southern Counties Gas Company be and the same is hereby ordered to withdraw and cancel its Schedules "S" and "K," as set forth in its rate file C. R. C. Sheets Nos. 76-G and 77-G, respectively, applicable for gas service in Ontario and Upland and adjacent territory, to become effective on the twentieth day of June, 1919.

It is hereby further ordered that Southern Counties Gas Company be and the same is hereby ordered to file and make effective its Schedules No. 1-A, No. 1-B, No. 1-C and No. 1-D, as set forth in its rates schedules now on file with the commission and shown on C. R. C. Sheets Nos. 61-G, 62-G, 63-G and 64-G, respectively, the same to be applicable to all regular meter readings taken on and after the twentieth day of June, 1919.

It is hereby further ordered that Southern Counties Gas Company shall, on or before June 20, 1919, file with the commission revised rate sheets to comply with the order herein.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this seventeenth day of June, 1919.

DECISION No. 6412.

IN THE MATTER OF THE APPLICATION OF BEVERLY HILLS UTILITIES COMPANY FOR AUTHORITY TO INCREASE ITS RATES FOR WATER.

Application No. 4040.

Decided June 17, 1919.

Investigation showing that applicant is at present operating at a loss, an increased schedule of rates are established to become effective for all meter readings made subsequent to date of filing of new schedule.

Gibson, Dunn & Crutcher, by *S. M. Haskins*, for Applicant.

Clyde Woodworth, for the city of Beverly Hills.

BY THE COMMISSION.

OPINION.

This is a proceeding brought by the Beverly Hills Utilities Company, a public utility corporation, for authority to increase rates. The application alleges in effect that applicant is engaged in the business

of selling water in the city of Beverly Hills and vicinity, Los Angeles County; that the present rate schedule does not produce a sufficient revenue to return to applicant operating expense, depreciation and interest on its investment, and prays that this commission make its order authorizing it to increase its existing rates to such an extent that it may hereafter enjoy a reasonable return upon the value of its property.

Applicant, Beverly Hills Utilities Company, was incorporated September 15, 1914. It purchased its present plant from the Rodeo Land and Water Company, the corporation which owned and subdivided a tract of land adjoining the city of Los Angeles, a portion of which is included within the city of Beverly Hills. The Rodeo Land and Water Company desired, in 1914, to separate its public utility business from its real estate business, and applied to this commission to sell its public utility plants to the Beverly Hills Utilities Company. This commission in its Decision No. 2011, entitled "In the Matter of the Application of Rodeo Land and Water Company to sell its water, gas and electric plants and systems to Beverly Hills Utilities Company, and of Beverly Hills Utilities Company to issue stock" (Application No. 1425), Vol. 5, p. 918, Opinions and Orders, Railroad Commission of California, authorized the transfer of this property. The Rodeo Land and Water Company was incorporated in 1906 and engaged in the business of selling real estate for residential purposes, consisting chiefly of high-class villa sites. As a necessary part of its operation the company constructed a water system. These companies still remain under the same management. On June 15, 1917, the electric and gas systems of this company were sold to the Southern California Edison Company.

The water supply is obtained by pumping from wells and springs located in what is known as Coldwater Canyon, approximately two miles northerly from the city of Beverly Hills. The water is collected in a low-level and a high-level reservoir, and from thence transmitted to the distribution system. The original system was installed about 1906 and consisted of a series of collecting tiles and small wooden box drains which drew their supply from springs and seepage in the canyon bottom.

By reason of the topography of the area served, high-level and low-level transmission and distribution systems are necessary. The low-level system still obtains a portion of its supply from the first development. In 1906 the development of a tract was begun and the nucleus of the present system installed. As the demand increased, additional facilities were constructed. As a result of this piecemeal construction, there are at present seven transmission lines from the

source of supply in Coldwater Canyon to the distribution reservoirs and four pump plants. Water is pumped from the wells into the transmission mains, thence into three distributing reservoirs having a total capacity of approximately a million and a half gallons. From these reservoirs it is distributed to the consumers through iron and steel pipes. There are at present some 180 consumers receiving their water supply from this system. The rate schedule in effect is as follows:

Minimum	\$0 75 per month
Measured rate	07 per 100 cubic feet
Fire hydrants, each	1 50 per month
Sewer flush tanks, each	1 00 per month

Prior to the hearing in this proceeding, applicant and the board of trustees of Beverly Hills agreed to a schedule of rates, and it was stipulated at the hearing that the commission would be asked by both applicant and the representative of the city of Beverly Hills, to establish this schedule which follows:

Minimum	\$0 75 per month
Measured rate	10 per 100 cubic feet
Sewer flush tanks, each	1 00 per month

No agreement, however, was reached concerning the fire hydrant rate, which the city contended should be \$5.00 per year per hydrant, whereas applicant asks that the present rate of \$1.50 be continued in effect.

Investigation was made of the records and plant of applicant by Mr. H. A. Noble, one of the hydraulic engineers of this commission. His report, submitted as Railroad Commission's Exhibit No. 1, shows revenue and operating expenses as follows:

	1916.	1917.	1918.
Gross revenue	\$9,453 00	\$9,943 00	\$10,128 00
Operating expense	8,293 00	11,112 00	10,384 00

In addition to the above operating expense, Mr. Noble reports a sinking fund annuity of \$1,566.00. At the hearing, applicant submitted an estimated original cost of the system of \$122,660.00.

Computations have been made from the detailed water use submitted, which shows that the rate schedule which it is asked be established will produce a revenue not in excess of \$14,000.00.

From the above computations it is apparent that the rate asked to be established will not return to applicant interest upon its entire investment. It will, therefore, be unnecessary to discuss further the details of the service value of this system and operating expenses. The only point of difference between the board of trustees of the city of Beverly Hills and applicant is in the fire hydrant rental. A detailed investigation of the fair amount which should be charged against fire service has been made by a number of commissions, who have decided that

from 20 to 75 per cent of the cost of service is properly chargeable against fire service. In this case, however, conditions are somewhat different from those above mentioned. However, we are of the opinion that a rate of \$1.50 per hydrant per month is fair and reasonable.

ORDER.

Beverly Hills Utilities Company having applied to this commission for authorization to increase rates, and public hearing having been held and the matter being now ready for decision,

It is hereby found as a fact that the present rates charged for water by Beverly Hills Utilities Company, in so far as they differ from the rates set out in this order, are unjust and unreasonable, and that the rates set out in this order are just and reasonable, and basing its order on the foregoing finding of fact and the further statements of fact set out in the opinion preceding this order,

It is hereby ordered that Beverly Hills Utilities Company be and it is hereby authorized and directed to file with this commission within twenty (20) days from the date of this order, the following schedule of rates, effective for all meter readings subsequent to the date of filing:

Rate Schedule.

Minimum	\$0.75 per month
Measured rate	10 per 100 cubic feet
Fire hydrants, each	1.50 per month
Sewer flush tanks, each	1.00 per month

Dated at San Francisco, California, this seventeenth day of June, 1919.

DECISION No. 6413.

IN THE MATTER OF THE APPLICATION OF PINOLE LIGHT AND POWER COMPANY, A CORPORATION, FOR AN ORDER ESTABLISHING RATES FOR ELECTRIC SERVICE.

Application No. 4506.

Decided June 17, 1919.

E. M. Downer, A. F. Bray and C. O. Burgen, for Applicant.

W. S. Tinning, for Consumers.

MARTIN, *Commissioner.*

OPINION.

This is an application of Pinole Light and Power Company for an order authorizing applicant an increase in its rates for electricity.

Applicant requests that it be allowed to charge and collect the same rates for electricity as are now being charged by Pacific Gas and Electric Company and Great Western Power Company in the territory contiguous to that served by it, or any other rates that may be found proper.

A hearing was held at Pinole on May 13, 1919, at which time evidence was presented and the matter submitted for decision.

Applicant purchases electric energy at wholesale from the Pacific Gas and Electric Company, which it distributes in the towns of Pinole and Rodeo and intermediate territory over its own distributing system, serving approximately 400 consumers. Except for two small motors applicant's electric business is entirely residence and commercial lighting service.

Prior to July 1, 1918, applicant paid to Pacific Gas and Electric Company 50 per cent of its gross receipts for energy purchased. Since that date applicant has been purchasing energy under the Pacific Gas and Electric Company's standard resale Schedule No. 189.

The existing electric rates of applicant filed with this commission are as follows:

SCHEDULE "A."
General Service.

A—Flat rate service:

1. Residence lighting service:

3 16-candlepower lamps-----	\$1 25 per month
5 16-candlepower lamps-----	1 50 per month
Each additional 16-candlepower lamp-----	25 per month

2. Commercial lighting service:

a. Stores—Each 16-candlepower lamp-----	\$0 50 per month
b. Saloons—Each 16-candlepower lamp-----	75 per month

3. Street lighting service:

Each 80-candlepower lamp-----	\$1 50 per month
Each 200-candlepower lamp-----	5 00 per month

B—Meter service:

For all classes of lighting service, 10 cents per kilowatt hour.

Minimum charge: The minimum charge for all classes of lighting service, \$1.25 per month.

Applicant has in the past sold electricity on a flat rate basis, and due to this fact no reliable record of electric sales for various classes of service is available.

Due to requests, both by the national and state authorities for the conservation of electric energy, applicant, in March, 1918, established a program of equipping each consumer with an electric meter. Prior to this period only a very few meters were in use. In carrying out this program applicant now has all of its consumers fully equipped for metered service.

The commission's gas and electric division made an investigation into the operations and valuation of applicant's properties. The reproduction cost of its properties as of May 15, 1919, based on prewar prices, was found to be the sum of \$22,041.00. To this should be added \$1,500.00 for working cash capital, making a total valuation of \$23,541.00.

This valuation is somewhat lower than applicant's submitted valuation of \$24,980.00, exclusive of working cash capital, as of January 1, 1919. The difference between the two valuations is due to the fact that applicant used the high costs prevailing during the year 1918, and to the fact that list prices for meters were used instead of the actual net prices paid for same. The commission is of the opinion that for the purpose of establishing a rate base in this proceeding, the unit cost figures prevailing during the prewar period when this plant was actually constructed, should be used rather than war-time cost, except for those portions of plant as were built during the period of high prices.

During the year 1918, applicant's gross revenue amounted to \$11,080.68 and its operating expenses were \$10,224.31, of which \$5,540.32 was for purchased energy. The net income available for interest and depreciation was \$856.37, which is but 3.6 per cent on the capital investment set forth in the commission's valuation.

Applicant shows that for the year 1919, with the rates it is now charging, its revenues will be \$2,090.00 less than its operating expenses.

From an analysis of applicant's operations it appears that if its rates are increased to correspond with those charged by Great Western Power Company and Pacific Gas and Electric Company, and on the assumption that the kilowatt-hour sales will be the same as during the previous year of 1918, its resulting net income for interest and depreciation will amount to \$1,202.00, which is 4.9 per cent of capital.

The commission is in full accord with the desire of applicant to establish metered rates. It is probable, however, that applicant's electric sales for 1919 on a metered base will be much less than the flat rate use during the year 1918, because of the fact that flat rates encourage extravagance in the use of current. In many similar cases, we have found that the usage of electricity, particularly by residence consumers, has been far in excess of that occurring under a metered system.

The electric rates for residence lighting now in effect in adjacent territory supplied by Pacific Gas and Electric Company and Great Western Power Company are as follows:

Consumption.	Charge per kilowatt hour.		
	Base rate.	Surcharge.	Total.
First 30 kilowatt hours.....	8c	1c	9c
Next 70 kilowatt hours.....	7c	1c	8c
Next 100 kilowatt hours.....	6c	1c	7c
All over 200 kilowatt hours.....	5c	1c	6c

Minimum charge, \$1.00 per meter per month.

The commission is of the opinion that a reasonable rate for similar service on applicant's system would be as follows:

Residence and Commercial Lighting.

First 30 kilowatt hours per meter per month-----	9 cents per kilowatt hour
Next 70 kilowatt hours per meter per month-----	7 cents per kilowatt hour
Next 100 kilowatt hours per meter per month-----	6 cents per kilowatt hour
All over 200 kilowatt hours per meter per month---	5 cents per kilowatt hour
Minimum charge, \$1.25 per meter per month.	

Although applicant has no electric heating and cooking service and only a limited amount of power service, the commission will, at this time, fix rates for such services, as set forth in the order herein.

However, the return for interest and depreciation based upon these rates, and with sales for 1919 as great as during 1918, will probably not exceed 4.5 per cent.

It is understood, however, that either applicant or its consumers may ask for a readjustment of these rates provided they do not work out satisfactorily.

I submit the following form of order:

ORDER.

Pinole Light and Power Company having applied to this commission for authority to increase its electric rates, a hearing having been held and the matter submitted and being now ready for decision,

The Railroad Commission of the state of California hereby finds as a fact that the rates for electricity now charged by applicant are not just, fair or reasonable rates, and that the rates herein established are just, fair and reasonable rates for electricity to be charged by Pinole Light and Power Company in the towns of Pinole and Rodeo and intervening territory.

Basing its order on the foregoing findings of fact and the other findings of fact contained in the opinion which precedes this order,

It is hereby ordered that Pinole Light and Power Company charge and collect for electricity the following schedules of rates for the classes of service set forth, to wit, to be applicable for all service rendered on and after July 1, 1919:

SCHEDULE No. 1.

Residence and commercial lighting service:

Territory: Entire territory served by applicant.

Rate:

First 30 kilowatt hours per meter per month---	9 cents per kilowatt hour
Next 70 kilowatt hours per meter per month---	7 cents per kilowatt hour
Next 100 kilowatt hours per meter per month---	6 cents per kilowatt hour
All over 200 kilowatt hours per meter per month	5 cents per kilowatt hour

Minimum charge, \$1.25 per meter per month.

SCHEDULE NO. 2.

Combination lighting, heating and cooking service--residence and domestic service:

Territory: Applicable to entire territory served by applicant.

Rate:

First 30 kilowatt hours per meter per month... 9 cents per kilowatt hour

Next 70 kilowatt hours per meter per month... 4 cents per kilowatt hour

All over 100 kilowatt hours per meter per month 3 cents per kilowatt hour

Minimum charge, \$2.50 per meter per month.

SCHEDULE NO. 3.

General power service:

Territory: Applicable to entire territory served by applicant.

Rate:

First 300 kilowatt hours per meter per month... 4 cents per kilowatt hour

Next 700 kilowatt hours per meter per month... 3 cents per kilowatt hour

Next 1,500 kilowatt hours per meter per month 2½ cents per kilowatt hour

All over 2,500 kilowatt hours per meter per month 2 cents per kilowatt hour

Minimum charge, \$1.00 per horsepower of connected load per meter per month, but not less than \$2.00 per month.

Provided, Pinole Light and Power Company shall, within ten days from the date of this order, file with the Railroad Commission of the state of California the schedules of rates herein established, which rates shall become effective for all service rendered after July 1, 1919.

It is hereby further ordered that Pinole Light and Power Company shall, within twenty days from the date of this order, submit to the Railroad Commission of the state of California for approval, a revised set of rules and regulations governing the service and forms to be used in connection with its business.

It is hereby further ordered that Pinole Light and Power Company shall file with the commission on or before the twentieth day of each month a statement setting forth in detail its operating revenues and expenses and its classified sales of electricity for the preceding month, and such other information as this commission may hereafter direct.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this seventeenth day of June, 1919.

DECISION No. 6414.

IN THE MATTER OF THE APPLICATION OF SAN BENITO COUNTY
LAND AND WATER COMPANY, A CORPORATION, TO RAISE RATES.

Application No. 4389.

Decided June 17, 1919.

IRRIGATION SYSTEMS—INCREASES IN LAND VALUES—RATES.—An irrigation system built to serve a territory which by such construction increases land values to a considerable extent, is entitled to a rate sufficient to meet operating expenses, and consumers have no just complaint in paying a rate sufficient to support the utility. Revised schedule of rates established to become effective within twenty days, which schedule, it is estimated, will at least cover operating expenses of applicant.

Thomas E. O'Donnell, for Applicant.

MARTIN, Commissioner.

OPINION.

San Benito Land and Water Company, applicant herein, engaged in the business of selling water for irrigation in the vicinity of Hollister, San Benito County, asks authority to increase its rates.

Applicant alleges that its present income is unremunerative and produces only sufficient revenue to pay operating expenses, and that for several years interest charges on outstanding indebtedness have been paid by assessment on stock.

A public hearing in this proceeding was held in Hollister on April 8, 1919.

In Decision No. 2779, "In the Matter of the Application of San Benito County Land and Water Company, a corporation, for permission to renew two certain promissory notes, and to execute a mortgage to secure one of said notes," Vol. 7, Opinions and Orders, California Railroad Commission, 146, applicant was authorized to issue notes to the amount of \$75,000.00. This amount is a part of the indebtedness to meet interest on which assessments were levied on the stock. Reference is made to the decision in the above mentioned proceeding for applicant's history, its organization and financial status.

The rate schedule now in effect is as follows:

<i>Irrigation of orchards:</i>	
First irrigation	\$2 50 per acre
Each subsequent irrigation.....	2 00 per acre
<i>Irrigation of alfalfa:</i>	
For each irrigation.....	\$2 00 per acre

These rates were in effect prior to the effective date of the Public Utilities Act, and were established by the Hollister Irrigation Company, one of applicant's predecessors in interest.

The water is diverted from the San Benito River, about six miles from the village of Paicines, and is transmitted in a canal of approximately 125 cubic feet per second capacity, to the Paicines reservoir located near Paicines. This reservoir has a storage capacity of about 5,000 acre-feet.

Prior to 1911, water was also diverted from Tres Pinos Creek. In 1911 the transmission canal from that creek was so damaged by floods that it has not been repaired and is not used in serving present consumers. The stored water is used to supplement river flow when the natural flow of the river is insufficient for applicant's requirements. Water is discharged from Paicines reservoir into the river and is again diverted, together with the natural flow, at Hollister, about fifteen miles down stream from Paicines. This lower diversion is below the junction of the San Benito River and the Tres Pinos Creek, and thus enables the utility to divert all of the natural flow of both streams. The water diverted at Hollister is delivered to the irrigators through some 19 miles of canals, flumes and pipes. Water is being delivered to approximately 2,200 acres of alfalfa, prunes and apricots.

Applicant herein has planned for a number of years past to enlarge the system by the installation of additional storage facilities and extensions of canals. There are some 12,000 acres in the vicinity of Hollister and in the San Juan Valley susceptible of irrigation. Before the effective date of the Public Utilities Act, the company planned to finance these extensions by selling to the ranchers so-called water rights and contracting with the property owners on an acreage basis for the delivery of water.

Prior to the construction of the Paicines reservoir, it was the practice of irrigators supplied with water from this system to irrigate early in the season when there was available water from the natural flow of the river, and to again irrigate during the latter part of the summer, provided there was a sufficient quantity of water available in the river for this later irrigation. The construction of the Paicines reservoir assured the ranchers of an irrigation during June, July or August, when normally the natural flow of the river has practically ceased, and consequently most of them have discontinued the practice of irrigating early in the season. By this practice the irrigators materially decreased the quantity of water used, and although the utility has expended a large sum of money for betterments, its income is much less than before the construction of the Paicines dam.

The variation in rainfall in the vicinity of Hollister makes it necessary for the ranchers to have a supply of water available for the irrigation of their lands during certain seasons when the rainfall is light in the spring. This makes it a requisite that the utility maintain its system, and in order to give assurance to the irrigator that during

dry seasons he will have available a sufficient supply of water to produce a crop, additional storage facilities must be constructed. The utility is therefore in the position of insuring a crop to the rancher, although the actual sales of water do not warrant the expenditure of the money necessary for the construction of additional impounding facilities.

This situation is one which can well be cared for by the organization of an irrigation district under the so-called Irrigation Act of 1897, but is very difficult of a satisfactory solution by this commission. As is well known, an irrigation district can assess annual charges against all lands within the district. By this method the expense of maintaining an irrigation system is equitably distributed among all the irrigators and landowners who receive a benefit from the fact that they have available for irrigation a supply of water which they may draw upon if needed.

The evidence shows that the lands under applicant's system have increased in value from approximately \$60.00 per acre as grain land to from \$800.00 to \$1500.00 per acre as bearing orchards. This increased value is directly attributable to the installation of this irrigation system, and the expense of maintaining this system should be borne by those receiving this benefit.

Because of the failure of landowners under this system to adequately financially support the company, needed diversion canals and storage facilities have not been constructed. The need for these additional facilities is clearly shown by the 1918 record of irrigation. During that year, because of the extreme drought, it was impossible to divert a sufficient quantity of water into the reservoir to fill it, and also, because of the cessation of natural flow in the stream very early in the season, stored water was used for the first irrigation. The following tabulation showing the number of irrigations, kind of crop and acreage served, is compiled from the company's records:

Year	1916			1917			1918
Number of irrigations.....	1	2	3	1	2	3	1
Alfalfa (acres)	806	533	303	638	236	8	76
Orchard (acres)	884	101	988	1584	129	15	1274
Total (acres)	1780	637	1291	2222	365	23	1350

The above record clearly shows the necessity for the construction of storage facilities of sufficient capacity to carry a supply over from wet years for use during periods of drought.

I desire to point out to the landowners under this system that present conditions can not continue without wrecking applicant financially and

causing large losses to themselves. A distinct and valuable service is given by the utility, even though in many years very little water is required to produce a crop. The irrigators should realize that they must support the utility in its operations and endeavors. The utility can not continue forever the operation of a system such as this unless it receives a sufficient income to meet its current expenditures.

I shall recommend that a rate schedule be established which includes an annual minimum charge and an additional charge for water delivered. By this method it is hoped to produce a sufficient income to enable the company to continue its operations, and also to encourage the use of water during the early portion of the season when there is a natural flow in the river.

Violent fluctuations in the use of water, smallness of the area served and the large investment necessary to deliver water, make it impossible to establish a rate at present which will return to the company interest upon its investment. An estimate of the cost of the system was submitted by Wm. Stava, one of the hydraulic engineers of this commission, primarily for the purpose of determining an annuity. This appraisalment shows an estimated cost new of \$118,537.00 and a sinking fund annuity of \$586.00.

The following tabulation shows maintenance and operation expenses and the operating income as reported by the company in its annual reports to this commission:

	1913	1914	1915	1916	1917	1918
Operating labor and expense -----	\$2,111 84	\$5,059 84	\$5,543 20	\$5,401 61	\$4,180 00	\$3,410 18
Taxes -----	75 00	371 47	248 59	315 76	301 95	331 32
Total maintenance and operation expenditures -----	\$2,186 84	\$5,431 31	\$5,791 79	\$5,717 37	\$4,481 95	\$3,741 50
Operating revenue -----	\$2,113 05	\$4,671 51	\$5,195 90	\$6,081 75	\$5,932 75	\$3,340 40
Acres irrigated -----	800	2,031	2,359	2,500	2,450	1,350

A careful investigation was made of the company's records, and the expenditures reported were found to be properly charged. Records of cost of operation on other systems and other data available show that these expenditures are reasonable for the service rendered. The annual cost of maintenance per acre is higher than that on many systems and is due in large part to the small acreage served, and necessary expenditures in controlling the river at the diversion point.

In view of the conditions outlined herein, it is almost impossible to satisfactorily estimate the income which will be produced by any given

rate schedule. However, a rate schedule will be recommended which, in my opinion, will produce at least the fixed charges. I recommend the following form of order:

ORDER.

San Benito County Land and Water Company having applied for authority to increase rates for irrigation, and a public hearing having been held and the commission being fully advised in the premises,

It is hereby found as a fact that the rates established herein are just and reasonable rates and that the rates heretofore charged by San Benito County Land and Water Company, in so far as they differ from the rates herein established, are unjust, unremunerative and unreasonable, and basing its order on the foregoing finding of fact and the further statements of fact contained in the opinion preceding this order,

It is hereby ordered that San Benito County Land and Water Company be and it is hereby authorized and directed to file with this commission within twenty (20) days of the date of this order, the following schedule of rates, effective as of April 1, 1919:

Minimum annual charge, \$5.00 per acre, payable on or before March 1 of each year, which includes payment for two irrigations per season, at least one of which must be during the time when water can be obtained from the natural flow of the river.

Additional irrigations each \$2.50 per acre.

For all irrigations of Paicines Ranch from stored water, \$3.50 per acre per irrigation.

It is hereby further ordered that San Benito County Land and Water Company file with this commission within twenty (20) days from the date hereof, a schedule of rules and regulations, which shall be effective upon their acceptance as amended and corrected by this commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this seventeenth day of June, 1919.

DECISION No. 6421.

IN THE MATTER OF THE APPLICATION OF MT. JACKSON WATER AND
POWER COMPANY FOR PERMISSION TO ISSUE PROMISSORY
NOTE.

Application No. 4660.

Decided June 20, 1919.

T. C. Mellersh, for Applicant.

MARTIN, *Commissioner*.

OPINION.

Mt. Jackson Water and Power Company asks permission to issue a 7 per cent \$10,000.00 promissory note payable on or before two years after date.

Mt. Jackson Water and Power Company reports \$20,000.00 of common stock outstanding. All of the stock, except two shares necessary to qualify directors, is owned by T. C. Mellersh. From time to time, he has advanced to the company moneys necessary to pay for the construction of applicant's water plant. The commission by Decision No. 4090, dated February 7, 1917 (Vol. 12, Opinions and Orders of the Railroad Commission of California, page 475) authorized applicant to issue to T. C. Mellersh its two-year 7 per cent note for the purpose of refunding \$10,000.00 of its indebtedness payable to him. The note issued pursuant to the commission's decision of February 7, 1917, matured on February 13, 1919, and remains unpaid. Applicant asks permission to renew the note.

I herewith submit the following form of order:

ORDER.

Mt. Jackson Water and Power Company having applied to the Railroad Commission to issue a promissory note, a public hearing having been held, and it appearing to the commission that applicant's request is reasonable and that the purposes for which it is proposed to issue said note are not in whole or in part reasonably chargeable to operating expenses or to income.

It is hereby ordered that Mt. Jackson Water and Power Company be and it is hereby granted authority to issue to T. C. Mellersh its 7 per cent \$10,000.00 promissory note payable on or before two years after the date of this order.

The authority herein granted is upon the following conditions and not otherwise:

1. The note herein authorized shall be issued by applicant for the purpose of paying or refunding the \$10,000.00 promissory note heretofore issued by applicant pursuant to the authority granted in Decision No. 4090, dated February 7, 1917.

2. Applicant shall report to the commission within 30 days after the issue of the note herein authorized, the name of the payee, the term of the note, the rate of interest, the face amount of such note and the purpose for which the note was issued.

3. The authority herein granted shall apply only to such note as shall have been issued on or before September 1, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twentieth day of June, 1919.

DECISION No. 6422.

IN THE MATTER OF THE APPLICATION OF VISALIA CITY WATER COMPANY FOR LEAVE TO ISSUE AND SELL CERTAIN BONDS AND TO EXECUTE A TRUST DEED.

Application No. 4671.

Decided June 20, 1919.

Applicant authorized to execute a trust deed and to issue thereunder \$80,000.00 face value of bonds to be sold at not less than 96, proceeds thereof to be used in whole or in part to refund \$80,000.00 of applicant's bonds due July 1, 1919.

Power & McFadzean, by Daniel McFadzean, for Applicant.

MARTIN, *Commissioner.*

OPINION.

Visalia City Water Company asks permission to issue and sell \$80,000.00 of 6 per cent serial gold bonds and to execute a trust deed securing the payment of the bonds. A copy of the proposed trust deed is attached to the petition and marked Exhibit "B."

Visalia City Water Company, organized in 1894, has an authorized stock issue of \$100,000.00. All of the stock is outstanding. J. Sub Johnson, president of the company, owns \$98,600.00 of the stock. His testimony shows that applicant operates in Visalia, that it has about 1,200 consumers, that it serves a population of approximately 8,000, that it obtains its water from four wells, that its investment in the water plant is about \$150,000.00, and that its rates and service are satisfactory to the consumers.

As of December 31, 1918, applicant reports assets and liabilities as follows:

Asset Accounts.

Fixed capital	\$151,363 35
Cash	1,463 37
Notes receivable	84 00
Due from consumers and agents	1,293 84
Miscellaneous accounts receivable	9,938 36
Materials and supplies	1,214 65
Prepaid taxes	958 35
Unamortized discount on stock	38,545 13
Total asset accounts	\$204,861 05

Liability Accounts.

Capital stock outstanding	\$100,000 00
Bonds outstanding	80,000 00
Accounts payable	356 66
Reserve for accrued depreciation	18,254 35
Corporate surplus unappropriated	6,250 04
Total liability accounts	\$204,861 05

Applicant has \$80,000.00 of bonded debt, payable on July 1, 1919. It has recently, subject to the approval of the Railroad Commission, made arrangements for the sale of \$80,000.00 6 per cent serial gold bonds at 96 and accrued interest. The new bonds mature at the rate of \$4,000.00 per annum from July 1, 1924, to July 1, 1943, inclusive. J. Sub Johnson, president of Visalia City Water Company, and practically the owner of the company, believes that the company will encounter no difficulty in paying the new bonds as they mature. The payment of the bonds is to be secured by a trust deed covering all of the property now owned by the company as well as that which it may acquire at any time hereafter during the life of the bonds. The company reserves the right to redeem the bonds at 102 and accrued interest.

For 1918 applicant reported its operating revenues at \$33,014.70, its operating expenses, including \$6,094.10 for depreciation, at \$25,549.04, leaving \$7,465.66 to pay interest and dividends. For 1917 applicant reported its operating revenues at \$33,858.57, its operating expenses, including \$6,129.32 for depreciation at \$22,286.76, leaving \$11,571.81 for payment of interest and dividends. The increase in operating expenses was caused primarily by increases in wages paid and increases in cost of materials and supplies.

I herewith submit the following form of order:

ORDER.

Visalia City Water Company having applied to the Railroad Commission for permission to issue \$80,000.00 of 6 per cent serial gold bonds and to execute a trust deed, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably

required for the purpose or purposes specified in the order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Visalia City Water Company be and it is hereby granted authority to execute a trust deed substantially in the same form as the trust deed attached to the petition herein and marked Exhibit "B."

It is hereby further ordered that the Visalia City Water Company be and it is hereby granted authority to issue and sell at not less than 96 per cent of their face value and accrued interest \$80,000.00 of 6 per cent serial gold bonds.

The authority herein granted is upon the following conditions and not otherwise:

1. The proceeds obtained from the sale of the bonds herein authorized shall be used to pay in whole or in part applicant's \$80,000.00 of bonds, due July 1, 1919.

2. The approval herein given of said trust deed is for the purpose of this proceeding only and an approval in so far as this commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said trust deed as to such other legal requirements to which said trust deed may be subject.

3. Visalia City Water Company shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds, as will enable it to file on or before the 25th day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted becomes effective upon the payment by applicant of the fee prescribed by the Public Utilities Act.

5. The authority herein granted applies only to such bonds as may be issued on or before October 1, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twentieth day of June, 1919.

DECISION No. 6427.

IN THE MATTER OF THE APPLICATION OF CALIFORNIA WHARF AND WAREHOUSE COMPANY FOR AUTHORITY TO INCREASE WAREHOUSE RATES AT MERCED AND OTHER POINTS IN MERCED COUNTY.

Application No. 4629.

Decided June 25, 1919.

WAREHOUSE RATES—DEALER IN COMMODITIES STORED—ATTITUDE TO RATE INCREASES.—Objections of dealers in commodities stored in warehouses to a reasonable increase in warehouse rates can not be controlling, as it is well known incidental expenses including warehouse charges, are given consideration by them when the commodity is purchased.

Revised schedule of rates for the storage of various commodities in warehouses of applicant established to become effective within thirty days.

J. D. Wood, for Applicant.

G. W. Barter, for certain warehouse patrons.

MARTIN, *Commissioner*.

OPINION.

Applicant herein operates public warehouses at various points in California; those affected by the present proceeding are located at Merced, Tuttle, Planada, Le Grand, Dickinson and Marguerite in Merced County, each being operated under schedules carrying the following rates, which it is proposed to increase and adjust to the basis hereinafter indicated:

<i>Grain.</i>	<i>Per ton.</i>
Receiving, weighing and loading grain through warehouse on cars.....	\$0 35
Storage, for one month.....	50
Storage, for two months.....	75
Storage, for season ending May 31.....	1 00

<i>Potatoes.</i>	
Storage, for one month.....	50
Storage, for two months.....	75
Storage, for season ending May 31.....	1 00

In the application are also set forth other rates which it is desired to establish for storing commodities not heretofore covered by schedule; but, no specific authority being necessary for filing such rates, they need not be here considered. The above rates pertaining to the storage of grain were authorized by the commission in its Decision No. 3295, dated April 29, 1916, previous to which time lower rates prevailed; rates now in effect cover, in addition to ordinary warehouse service, the cost of loading grain from warehouse to car and the expense of resacking

the same, plus sacks and materials used. Under the application no increase is contemplated in the rates for the *storage* of grain, except that a minimum storage charge of \$1.00 would be established, the plan being to establish a separate schedule of charges for service now included in the storage rates. These proposed additional charges to be assessed wherever the service to which they apply is rendered are as follows:

Loading commodities from warehouse to cars, except to gondolas	
per ton -----	\$0 25
Loading gondola cars, per ton -----	35
Delivering commodities in lots less than one ton, each delivery -----	25
Keeping commodities separate when received in small lots for making	
up carloads, per ton -----	50
Reweighing, per ton -----	25
Sampling, per sample -----	25
Stenciling or marking bags, for each stencil used, per ton -----	15
Conditioning cars for loading under United States government regu-	
lations, per car -----	2 50
Minimum charge for reweighing or stenciling bags -----	25
Resacking, at owner's expense.	

The basis for the assessment of rates applying to the storage of potatoes would be changed to the following scale:

Storage, for first month, per sack -----	\$0 05
Storage, for each month after first, per sack -----	02
Minimum charge -----	1 00

The request for increased rates is based upon the contention that operating costs have greatly increased since 1916. It is alleged in the application that warehouse truckers formerly employed for \$2.50 per day now receive \$4.00, and that pilers heretofore paid \$3.00 per day are now paid \$4.50; also that warehouse equipment and supplies have likewise advanced abnormally, in some instances more than 100 per cent.

A hearing on the application was held at Merced on June 5, 1919, at which time oral testimony was offered in support of the petition. With a single exception no one appeared at the hearing to question the reasonableness of the rates which applicant seeks to establish, notwithstanding the usual publicity and personal notice to patrons. Mr. G. W. Baxter, a farmer in the district, appeared in his own interest and unofficially on behalf of other neighboring growers; he was not present, he said, for the purpose of opposing a reasonable increase, but rather to ascertain the exact manner in which the proposed increases were to be applied, if authorized.

Applicant claims for its warehouse properties a present value as follows:

At Merced—

2 warehouses, owned -----	\$15,000 00
2 warehouse lots, annual rental -----	330 00

At Tuttle—

1 warehouse and lot, owned	\$5,250 00
1 warehouse and lot, annual rental	175 00

At Placinda—

2 warehouses, owned	8,000 00
2 warehouse lots, annual rental	10 00

At Le Grand—

2 warehouses, owned	11,000 00
1 warehouse lot, owned	250 00
1 warehouse lot, annual rental	5 00

At Dickinson—

1 warehouse and lot, owned	3,000 00
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At Marguerite—

1 warehouse and lot, owned	5,250 00
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Total	\$48,270 00
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While this statement does not show the value of equipment in use it would, doubtless, raise the total to a figure well above the \$50,000.00 mark. Applicant also submitted statements showing the result of the operation of its local warehouses for the storage years 1917 and 1918, respectively. The figures covering all of the warehouses operated by applicant in Merced County, are as follows:

	Year ending May 31, 1917.	Year ending May 31, 1918.
Receipts	\$11,780 31	\$15,190 32
Expenses	10,826 66	12,210 82
Balance	962 65	2,979 50

Average annual operating profit, \$1,971.97.

Notwithstanding the rate increases authorized by this commission in the year 1916, the last two years have shown a reduction in net operating revenue brought about by the increased operating costs and the lesser tonnage being stored.

According to the testimony, a reduction in the operating expenses at applicant's warehouses for the year 1919 is not at all probable, nor is the supply of labor or its efficiency likely to improve. It appears that the more desirable class of labor is drawn to the farms during the harvest season because of the steady employment and better conditions prevailing.

The farmers and those who actually store the commodities in warehouses of this applicant apparently were not opposed to the readjustment of the rates, and while some comment was made upon the attitude of dealers in the commodities stored and their position with reference to the rates, I am of the opinion that their objections, had they been presented, would not have been controlling, for it is patent to all that

incidental expenses, including warehouse charges, are given consideration by them when the commodity is purchased, and that the actual parties affected are the growers of the grain.

Under all the circumstances as developed at the hearing, I am of the opinion that the present warehouse rates are noncompensatory and that the application should be granted, with such modifications of the proposed rates as are contained in the schedule set forth in the accompanying order.

ORDER.

California Wharf and Warehouse Company having applied to the Railroad Commission for authority to increase and adjust warehouse rates at Merced and other points in Merced County, a hearing having been held thereon, the matter having been submitted and the commission being fully apprised in the premises,

It is hereby found as a fact, that the rates now in effect by applicant, in so far as they differ from those set forth in the schedule embodied in this order, are unjust, unreasonable and noncompensatory for the services rendered.

Basing its order upon the foregoing finding of fact and upon other facts set forth in the opinion preceeding this order,

It is hereby ordered that California Wharf and Warehouse Company be, and the same hereby is authorized to publish and file with this commission within thirty days from the date hereof and thereafter enforce and collect rates in conformity with the following schedule, which rates are found to be just and reasonable:

Item No.	
1. Alfalfa Meal—	<i>Storage.</i>
(a) First 30 days or fraction thereof, per ton.....	\$0 60
(b) Over 30 days but not to exceed 60 days, per ton.....	90
(c) Over 60 days but not to exceed the season ending May 31, per ton	1 20
(d) Minimum storage charge	1 00
2. Grain—	
(a) First 30 days or fraction thereof, per ton.....	50
(b) Over 30 days but not to exceed 60 days, per ton.....	75
(c) Over 60 days but not to exceed the season ending May 31, per ton	1 00
(d) Minimum storage charge	1 00
3. Rice—	
(a) First 30 days or fraction thereof, per ton.....	75
(b) Over 30 days but not to exceed 60 days, per ton.....	1 00
(c) Over 60 days but not to exceed the season ending May 31, per ton	1 25
(d) Above rates will be doubled when rice is ricked, materials for this purpose to be furnished by owner.	
(e) Minimum storage charge.....	1 00

4. Alfalfa Seed —
- (a) Per season ending May 31, or any part thereof, per ton..... \$2.00
 - (b) Minimum storage charge..... 1.00
5. Beans —
- (a) Per season ending May 31, or any part thereof, per ton..... 1.00
 - (b) Minimum storage charge..... 1.00
6. Hay—
- (a) First season ending May 31, or any part thereof, per ton..... 1.25
 - (b) Second season or any part thereof, per ton..... 1.00
- NOTE: Hay referred to herein means oat, wheat, barley and alfalfa in the ordinary bales.
7. Dried Fruits, Potatoes, Onions, in Bags —
- (a) First 30 days, per bag..... .03
 - (b) Each 30 days or fraction thereof after first 30 days, per bag..... .01
 - (c) Minimum storage charge..... 1.00

Loading.

8. (a) Grain, Beans, Alfalfa Meal, Alfalfa Seed and Rice—
- Loaded into box cars, per ton..... 25
 - Loaded into gondola cars, per ton..... 35
 - (b) Hay per ton..... 35
 - (c) Dried fruits, potatoes or onions in bags, per bag..... 02
9. (a) Reweighing at owner's request any commodity in storage, per ton..... 25
- (b) Minimum weighing charge..... 25

Miscellaneous Charges.

10. (a) Deliveries to vehicles other than railroad cars, per ton..... 25
- (b) Minimum charge for lots less than one ton..... 25
 - (c) Conditioning cars for loading in conformity with United States food administration regulations, per car..... 2.50
 - (d) Stenciling, marking, sampling, resacking and other incidental warehouse service involving an extra expense to warehouseman, when performed upon specific request, or when required by governmental regulations, if not otherwise rated in this schedule, will be performed at the actual cost to warehouseman of labor employed and material used.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-fifth day of June, 1919.

DECISION No. 6428.

BARCLAY McCOWAN ET AL.

vs.

WESTERN WATER COMPANY, A CORPORATION.

Case No. 1276.

IN THE MATTER OF THE APPLICATION OF WESTERN WATER COMPANY, A CORPORATION, FOR AN ORDER REVISING AND INCREASING ITS RATES.

Application No. 4346.*Decided June 25, 1919.*

Investigation showing that with the exception of domestic rates in the cities of Taft and South Taft, applicant is not receiving a reasonable return, complaint against its rates is dismissed and a revised schedule established for its wholesale business and domestic service with the exception of domestic service in the two towns above mentioned.

Barclay McCowan, for Complainants.

Chickering & Gregory, by *Allen L. Chickering*, for Defendant and Applicant.

BY THE COMMISSION.

OPINION.

The above entitled proceedings having come on regularly for hearing before Examiner Bancroft on March 6, 1919, in the city of Taft, upon the consent of the attorneys for all parties concerned, the case and the application were consolidated by order of the commission at said hearing. An adjourned hearing of said consolidated proceedings was held before Examiner Bancroft at San Francisco on April 15, 1919.

The complaint in the above entitled case, after setting forth the names of the complainants, states that defendant Western Water Company is a corporation doing business in what is known as the "West Side Oil Fields" of Kern County, with its principal office and post office address at Taft, and is engaged in the selling and delivering of water to oil operators and residents in the oil fields and to the residents of the incorporated city of Taft and of the unincorporated town of South Taft, California; that the prices paid by complainants to defendant are exorbitant, unreasonable and unjust. Complainants conclude by praying that the Railroad Commission investigate the organization, legitimate expenses and business conduct of defendant and establish fair and reasonable rates to be charged by it.

In Application No. 4346, Western Water Company alleges that its present rates are unreasonable and too low to provide it with a fair and

adequate return upon its operative capital, excepting its rates as established by Decision No. 2546, Case No. 778, *In the Matter of the Rates, Rules and Regulations of Western Water Company* (Vol. 7, Opinions and Orders of the Railroad Commission of California, p. 435), for domestic use in Taft and South Taft. Applicant asks that it be authorized to increase its rates for the service of water for other than the domestic use above referred to, to such an extent as the commission may, after investigation and hearing, deem just and proper.

From the evidence, it appears that Western Water Company is a public utility, engaged in the business of pumping water from land leased by it from Kern County Land Company, in Kern County, and transmitting the same to the city of Taft, the town of South Taft and to the oil fields in the general vicinity of said towns, and in the sale of said water for all purposes in said region; that during the year 1915, in connection with Case No. 778, *supra*, the reproduction cost of applicant's physical properties was appraised by the Railroad Commission as of December 31, 1914, at \$685,698.00. Considerable additions have been made to applicant's plant since that time and its entire properties have been maintained in first class condition.

C. I. Rhodes, one of the commission's hydraulic engineers, made a detailed field examination and study of the affairs of the company in connection with investment, maintenance and operating expenses, and other details, and the commission's auditing department examined the company's books.

Starting with the commission's estimate of \$685,698.00 as the reproduction cost of applicant's properties on December 31, 1914, and making due allowance for additions and deductions for replacements, we find the historical reproduction cost of applicant's physical properties as of January 1, 1919, to be \$762,885.00.

At the hearing in Taft, applicant submitted exhibits showing its operating expenses and taxes for the past four years and its estimated operating expenses for the year 1919 as follows:

1915 -----	\$94,925 89
1916 -----	110,625 11
1917 -----	173,243 96
1918 -----	206,376 03
1919* -----	226,050 82

*Estimated.

After carefully examining and checking applicant's accounts and exhibits, we are of the opinion that its reasonable maintenance and operating expenses for the current year will be approximately \$225,000.00.

We have also considered applicant's present rates to consumers of domestic water in the city of Taft and the town of South Taft, and

are of the opinion that the rates for such service established by this commission in Decision No. 2546, *supra*, are just and reasonable and should not be disturbed at the present time.

Applicant's present rates to its consumers of water in the oil fields (known as the wholesale rates) are as follows:

Rates per Barrel on Daily Quantity (5-year Contract).

	Barrels 1 to 1,500, per barrel	Barrels 1,500 to 3,500, per barrel	Barrels 3,500 to 10,000, per barrel
First year -----	\$0.03	\$0.03	\$0.02 $\frac{1}{2}$
Second year -----	0.03	0.02 $\frac{1}{2}$	0.02 $\frac{1}{2}$
Third year -----	0.03	0.02 $\frac{1}{2}$	0.02 $\frac{1}{2}$
Fourth year -----	0.02 $\frac{1}{2}$	0.02 $\frac{1}{2}$	0.02
Fifth year -----	0.02 $\frac{1}{2}$	0.02	0.01 $\frac{1}{2}$

From the foregoing valuation and the estimated maintenance and operating expenses for the current year, we obtain the following annual charges:

Maintenance and operation-----	\$225,000 00
Interest on used and useful property at 8 per cent-----	61,031 00
Depreciation computed upon a 6 per cent sinking fund basis----	24,482 00
Total -----	\$310,513 00

The rates hereinafter authorized are designed, when added to the receipts from applicant's domestic consumers in Taft and South Taft, to yield applicant this annual income.

ORDER.

Case No. 1276, *Barclay McCowan et al. vs. Western Water Company*, and Application No. 4346, *In the Matter of the Application of Western Water Company, a corporation, for an Order Revising and Increasing Its Rates*, having come on regularly before this commission for hearing said proceedings having been consolidated and public hearings having been held thereon, the same having been submitted and being now ready for decision,

The Railroad Commission hereby finds as a fact that Western Water Company's present rates for water served to its domestic consumers in the city of Taft and the town of South Taft are just and reasonable; that its rates outside the town of Taft and the town of South Taft are unreasonable and nonecompensatory and that the rates herein established are just and reasonable rates.

Basing its order on the foregoing finding of fact and upon the further statements contained in the opinion which precedes this order,

It is hereby ordered as follows:

1. That the complaint in Case No. 1276, entitled *Barclay McCowan et al vs. Western Water Company*, be dismissed.

2. That Western Water Company be and it is hereby authorized to file with this commission within twenty (20) days from the date of this order and collect for all meter readings thereafter, the following rates for the service of water to consumers outside the city of Taft and the town of South Taft:

Minimum Rates.

Domestic consumers on wholesale lines, per month	\$2 50
Industrial consumers, per month.	10 00

Metered Rates.

0 to 30,000 barrels per month, per barrel	\$0 03
Next 70,000 barrels per month, per barrel	0 025
Over 100,000 barrels per month, per barrel.	0 015

Provided that the net rate from any consumer shall in no instance fall below an average of 1.85 cents per barrel for all the water consumed by it in any one month.

3. That applicant file with the Railroad Commission not later than thirty (30) days from the date hereof its rules and regulations.

Dated at San Francisco, California, this twenty-fifth day of June, 1919.

DECISION No. 6430.

WEBB BROTHERS COMPANY, A CORPORATION,

vs.

CALIFORNIA-OREGON POWER COMPANY, A CORPORATION.

Case No. 1324.

Decided June 25, 1919.

WATER RIGHTS—DISPUTES AS TO OWNERSHIP OF—JURISDICTION.—The Railroad Commission has no jurisdiction to determine disputes between an electric utility and private parties as to the rights of either or both to divert water from a certain stream or river.

EXTENSIONS—COST OF—POSSIBILITY OF DISCONTINUANCE OF SERVICE.—Where it is shown that a public utility intends bringing suit to determine the right of an individual to divert water from a certain stream, which suit, if successful, will result in the discontinuance of service over a connection costing approximately \$1,000.00 to install, the consumer will be compelled to advance the cost thereof, pending determination of its permanency.

WATER RIGHTS—DISPUTED TITLE TO—RIGHT OF UTILITY TO SUE.—A public utility, when ordered by the Railroad Commission to construct an extension, is not estopped from bringing suit to determine the right of the consumer to divert

water on the ground that the extension is for the sole purpose of supplying electricity for the purpose of the diversion.

Order issued directing defendant to construct extension for the purpose of serving complainants, the latter to advance \$1,000.00 covering the cost thereof, and also providing for the return of such advance accordingly to development of prospective suit.

Sanborn & Rochl, by *H. H. Sanborn*, for Complainant.

Morrison, Dunne & Brobeck, by *E. S. Taylor*, for Defendant.

BY THE COMMISSION.

OPINION.

This is a proceeding instituted by the owner of a tract of land in Siskiyou County for the purpose of obtaining an order requiring defendant to supply it with electric energy for pumping purposes. A public hearing in the matter was held in San Francisco on June 11, 1919, before Examiner Bancroft.

From the evidence, it appears that complainant is the owner of a tract of land which is used for agricultural purposes, consisting of 632 acres, near the town of Montague, Siskiyou County; that complainant is now irrigating some of this land and desires to irrigate more by means of a pump, to be operated by a fifty horsepower electric motor; that it has applied to defendant, a corporation engaged in the service of electric energy in the county of Siskiyou, for the necessary service to enable it to operate said pump, and has offered to sign the usual form of contract.

From evidence introduced by defendant, it appears that complainant's lands are situated near the Shasta River, and that it purposes to use the energy for which it has applied in pumping water out of this river from a point near Montague; that defendant is the owner of and engaged in the operation of a hydroelectric power plant situated on this river some distance below the point from which complainant intends to pump its water.

Defendant also pleaded, as an affirmative defense, among other allegations, that by appropriation and the beneficial use, over a period of fifteen years, of the waters of Shasta River, defendant had acquired and perfected a vested right thereto, for power development purposes, to the extent of 8,500 inches (old style); that during the summer months of the last two years complainant has wrongfully and unlawfully diverted a portion of the waters of said river away from the natural channel thereof and from defendant's power plant; and that by means of said wrongful diversions, complainant has deprived and is now depriving defendant of a portion of the waters appropriated by, and belonging to, defendant, and necessary for the proper operation

of its said power plant; that complainant is now threatening to install another and additional pumping plant, for which purpose the electric service in controversy has been demanded from defendant, and by means thereof, to divert additional water away from said river and said power plant; and that if complainant continues to maintain its existing pumping plant and to install and operate its proposed electric pumping plant, thereby depriving defendant of the use of said waters, defendant will be unable to continue the operation of its said power plant during the time of such wrongful and unlawful diversions and will suffer great damage and irreparable injury.

The answer further alleges that the estimated cost of constructing the power line extension, with its appurtenances necessary to enable defendant to furnish the electric energy applied for by complainant will amount to approximately \$1,000,00, and that if defendant is required to construct such line at its own expense, it will be compelled thereby to suffer a further loss in a sum equivalent to the cost of such construction.

The commission ruled at the hearing that it was not within its province to determine the question of water rights and that the situation, so far as this commission is concerned, is the same as though complainant's rights to the use of the water of Shasta River were being contested by a third party. In other words, that the only effect of the dispute as to the water rights, so far as this commission is concerned, would be the raising of a reasonable doubt as to whether or not complainant would be able to continue using the electric energy for which it has applied. The commission finds from the evidence that there is a bona fide contest over the right to the use of this water and that defendant intends to bring an action in the courts to prevent complainant from diverting the same, which, if successful, would result in compelling complainant to cease the use of the electric energy for which it is now applying. Realizing this situation, complainant has offered to indemnify defendant for the cost of its extension, or, if necessary, to advance to defendant the cost thereof, with the understanding that the same shall be repaid to complainant in the form of a deduction from bills for electric energy hereafter supplied. Defendant expressed the fear that if it furnished electric energy to complainant, which the latter intended to use for pumping water out of the Shasta River, defendant might thereby be estopped from legal or equitable action against complainant. No compliance with the order of this commission, however, can in any way prejudice defendant's legal or equitable rights, as defendant has clearly established throughout this proceeding that it will not serve complainant with the electrical energy in question, while the matter of water rights is still in dispute, unless it is forced to do so by this commission.

ORDER.

Webb Brothers Company having filed a complaint against California-Oregon Power Company, a public hearing having been held and the matter being now ready for decision,

It is hereby ordered that California-Oregon Power Company, upon deposit with it by complainant of the sum of one thousand dollars (\$1,000.00), shall immediately commence the installation of the necessary extension and equipment to serve complainant's fifty (50) horsepower three-phase electric motor in the southeast quarter of the southwest quarter of the southeast quarter of section 28, township 45 north, range 6 west, Mount Diablo Base and Meridian, and shall complete said installation within thirty (30) days after the receipt of such deposit from complainant.

It is hereby further ordered that if the reasonable cost to defendant of installing said extension and service connections shall be less than one thousand dollars, defendant shall immediately refund to complainant the difference between such actual cost and the amount deposited with defendant by complainant.

It is hereby further ordered that as long as complainant pays to defendant for such service not less than two hundred and fifty dollars (\$250.00) per year, defendant shall pay to complainant interest at the rate of seven (7) per cent per annum upon the unreturned portions of said deposit, provided that said interest shall not be paid on any portion of such amount in excess of three times the annual revenue from complainant for the service applied for herein.

It is hereby further ordered that defendant shall refund to complainant the entire amount advanced in case it shall be finally decided by the courts that complainant has the right to the use of said waters of the Shasta River and complainant shall have contracted to take power from defendant at its regular rates for a period of three (3) years thereafter or shall enter into a contract with defendant to take service under conditions satisfactory to defendant for a period of three (3) years.

Dated at San Francisco, California, this twenty-fifth day of June, 1919.

DECISION No. 6431.
CITY OF BRAWLEY, A MUNICIPAL CORPORATION,
vs.
IMPERIAL VALLEY GAS COMPANY.

Case No. 1294.

Decided June 25, 1919.

SERVICE --LOSS OF BUSINESS THROUGH INEFFICIENCY OF. --Though a gas utility is not earning sufficient revenue to provide a reasonable return on its investment, it will not be permitted to let its system run down to a point where service is so poor that the resultant loss in business will ultimately wreck the entire business.

Installation of additional machinery and improvements to permit the rendition of adequate service directed to be made within ninety days, the utility to make monthly reports as to the progress of such work.

Guy L. Rockwell, for Complainant.

J. Stuart Ross and *R. B. Whitelaw*, for Defendant.

BY THE COMMISSION.

OPINION.

The complainant in the above entitled matter alleges that defendant has, for several months past, failed to supply its consumers in Brawley with sufficient gas for their requirements; that on many occasions the pressure in the pipes was so low as to preclude delivery of gas, and as a result, the inhabitants of Brawley have suffered inconvenience and loss. Complainant further alleges that it believes the cause of the inadequacy of defendant's gas supply to be due to the lack of maintenance of the plant, which it characterizes as obsolete and inadequate.

Defendant, in answer, admits its occasional failure to supply gas and the inadequacy of its pressure conditions. It alleges that an accident to its boilers and the breakdown of its transmission facilities were responsible for the failure of its supply, this occurring at a time when it was impossible to quickly obtain labor and materials for repairing the damage on account of war conditions, and further, that its operations were hampered by the lack of skilled labor in its plant. Admitting the insufficiency of its service, defendant alleges that the revenue from the sale of gas in Brawley does not justify at this time the increased expenditures for improved conditions, and asks that the complaint be dismissed.

A public hearing was held before Examiner Westover at Brawley, at which time evidence was presented by the parties upon the issues

raised by the pleadings, and also upon the poor quality of gas, pursuant to stipulation at the hearing. Evidence was introduced by defendant, and the commission's engineers submitted the results of an investigation of the gas service in Brawley and also in Imperial and El Centro.

Complainant showed that during the winter abnormally high bills for gas occurred; that during the same period the pressure had been poor and the supply of gas subject to interruption; in fact, the pressure at Brawley had at times been so low as to result in a complete failure of supply, with resultant inconvenience to the consumers of that city.

The investigation by the commission's engineers showed that the failures of gas service in Brawley were due in general to a lack of oil supply, to breakdown in the boilers at the El Centro plant, to a breakdown of the large compressor, to stoppage of mains, and to the interruption necessitated by the repairing of breaks in the transmission main to Brawley. This investigation further showed that the complaints arising from high bills during the winter months were due to the poor service conditions, to the fact that defendant's rates had been raised during the summer of 1918, and to the greater consumption of gas in winter as contrasted with the summer period.

The generating plant of defendant was constructed in El Centro in 1909 and 1910 and service rendered in El Centro and Imperial. Later, in 1912, a transmission main was laid from El Centro to Brawley and service given in that city. The plant at El Centro consists of two oil-gas generators, each of 15,000 cubic feet per hour capacity, but so arranged that only one can be used at a time; a gas holder of 30,000 cubic feet capacity, together with a compression tank capable of holding 4,000 cubic feet of gas under pressure of 70 pounds; a single steam operated compressor unit, with boilers and other auxiliary equipment.

The distribution system in El Centro is of medium high pressure type operating at approximately 36 inches of water pressure. The distribution system in Imperial is low pressure, supplied through regulators from the El Centro-Imperial transmission line. Brawley, located 14 miles from El Centro, is supplied through a 2-inch high pressure transmission main, the distribution system in Brawley being supplied at a medium high pressure of about $1\frac{1}{2}$ pounds per square inch. No storage holder is located at Brawley, and at periods of heavy use there it is necessary to maintain a high pressure on the transmission line at El Centro to supply the Brawley demand. In case of any failure of the transmission main, or while making any repairs upon it, the gas supply to Brawley must be completely interrupted. There are approximately 300 consumers in Brawley, 200 in Imperial and 800 in El Centro.

In the operation of the plant all the gas for the entire system is compressed into one tank, from which lead the transmission mains to

Imperial and Brawley. The distribution system in El Centro is supplied through regulators from this same compression tank. To supply Brawley through its 14 mile transmission line a pressure in excess of 50 pounds per square inch is maintained during hours of heavy demand. This pressure is far greater than is needed for local distribution in El Centro and results in the unnecessary compression of much of the gas, with an attendant unnecessary expense, and an overloading of the compressor and the boilers supplying steam for it. This arrangement also increases the possibility of interruption of all service if any trouble occurs with the compression equipment.

The failure of oil supply mentioned above was due largely to the shortage of tank cars during the war period. No lengthy interruption of supply occurred, however, as oil was temporarily obtained from the electric plant of Holton Power Company. Defendant should take precautions to see that no failure from this cause shall occur in the future.

The breakdown of boilers was due to their overloading. The present boiler installation is not large enough for the winter demands on this plant, and defendant should install a 150 horsepower boiler without delay.

Interruptions due to compressor failure could have been obviated by the installation of an auxiliary unit as standby. This will not now be required, in view of the plan later proposed for storage holder in Brawley. Considerable relief can be obtained by the installation of a positive booster to supply gas locally to El Centro direct from the holder. This will relieve the compressor of 60 per cent of its present load and will decrease the possibility of failure as well as reducing the load on the boilers.

Some difficulty has resulted from stoppage of pipes. This can best be remedied by systematic inspection and test of the pipes and the proper cleaning of same. The transmission mains should likewise be inspected and tested for excessive loss of pressure and leakage, and all of the pipes put in the best possible condition before the coming winter.

Breaks in the transmission line, and repairs of same, result at present in discontinuance of service to Brawley, there being no reserve supply of gas to distribute during the interruption. Repairs and replacements to the line will become more numerous as time goes on and unless steps are taken at this time to make possible continuity of service during such times, the condition will necessarily get worse.

Defendant's system is in need of additional storage capacity. The present storage capacity of 34,000 cubic feet is inadequate for a maximum daily output of 260,000 cubic feet, such as occurs. The load in Brawley has already increased to such an extent that defendant can not supply adequate pressure during the coming winter. Defendant should construct a gas holder in Brawley of not less than 30,000 cubic feet

capacity, and, with consideration for possible growth of the city in the future, a 50,000 cubic foot holder would be more advisable. Such an installation would practically eliminate poor pressure conditions and interruptions to service in Brawley, and would materially reduce the load on the compressors at El Centro. It would be advisable to enlarge the holder capacity at El Centro, but the present necessity for this is partly offset by the installation of a holder at Brawley.

At the present time the heavy load on the compressor at El Centro produces a suction on the lines between purifiers and the compressor, which admits the possibility of air being drawn in and mixed with the gas. Immediate steps should be taken to relieve this difficulty.

Tests upon the gas show a high percentage of hydrogen sulphide, the presence of which is objectionable, and which results from poor operation of the purifiers. Defendant should make daily tests for hydrogen sulphide in the gas and more frequently renew its purifying material to avoid the presence of this impurity.

Defendant is in the same unfortunate position that confronts a number of smaller gas companies at the present time. Because of the marked increase in cost of oil and labor, defendant's earnings have been low, and even with an increase in rates to approximately \$2.50 per 1,000 cubic feet at the present time, its net earnings show that it is far from prosperous. Defendant cannot, however, expect to continue on a basis of earning even operating expenses, unless it takes steps to improve service to a point that will encourage the continued use of gas.

Defendant owes an obligation to the public to render reasonably good service and if it expects to save its present investment in the property its owners must take immediate steps and make the necessary expenditures to improve service conditions. Otherwise ultimate failure must necessarily result. It is estimated that the changes and improvements required will cost approximately \$25,000.00, of which \$15,000.00 covers the storage holder proposed for Brawley. With the completion of the changes ordered herein, which will improve the efficiency of the plant and reduce the use of oil, and with more careful operation and maintenance of the system, substantial savings in the cost of operation will result which will exceed the fixed charges upon the capital outlay necessary for their construction, and the service will be so improved that the consumers will be willing to pay the established rates therefor.

ORDER.

City of Brawley having filed its complaint against the Imperial Valley Gas Company, hearing having been held, the matter being submitted and now ready for decision,

The Railroad Commission of the State of California hereby finds as a fact that the gas service of Imperial Valley Gas Company is inade-

quate and unsatisfactory, and that the changes in its system and methods of operation set forth in the order herein are necessary and proper for the improvement of said service.

Basing its order on the foregoing findings of fact and upon the other findings of fact contained in the opinion which precedes this order.

It is hereby ordered that Imperial Valley Gas Company be and it is hereby directed:

(1) To install at its gas generating plant a steam boiler of at least 150 horsepower capacity to be used in connection with the operation of said plant.

(2) To install a positive blower for the El Centro distribution system and rearrange its lines so as to avoid the compression of gas delivered to El Centro.

(3) To install a calorimeter of a type approved by this commission, and to make tests at least three times weekly of the quality of gas supplied.

(4) To construct a gas holder at Brawley of at least 30,000 cubic feet capacity, together with boosting equipment necessary to maintain supply of gas during periods of low pressure and during ordinary interruptions in transmission.

(5) To remove the cause of insufficient pressure at the inlet to the compressors, and make the necessary changes to avoid a minus pressure on the purification apparatus and connections.

(6) To make a complete inspection and survey of its distribution and transmission mains and to hereafter maintain same so as to reduce leakage and stoppage.

(7) To maintain an average quality of gas supplied of at least 560 British thermal units per cubic foot under standard conditions of temperature and pressure, and to remove by improved methods the present impurities in its gas.

It is hereby further ordered that the work as set forth in items (1), (2), (3), (5), (6) and (7) above shall be completed within ninety days from the date of this order.

It is hereby further ordered that Imperial Valley Gas Company shall proceed with the installation of a holder, as set forth in item (4) above, within thirty days from the date of this order, and shall complete the same with due diligence.

It is hereby further ordered that Imperial Valley Gas Company shall submit, on the first day of each and every month hereafter, progress reports on the work herein ordered until such time as this work shall have been completed.

Dated at San Francisco, California, this twenty-fifth day of June, 1919.

DECISION No. 6432.

IN THE MATTER OF THE APPLICATION OF VALLEY MOTOR TRANSPORT COMPANY, A CORPORATION, FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE AN AUTO STAGE OR AUTO TRUCK LINE FOR THE TRANSPORTATION OF PROPERTY BETWEEN SACRAMENTO AND RED BLUFF, CALIFORNIA, AND INTERMEDIATE POINTS, AND FOR AUTHORITY TO ISSUE AND SELL ONE HUNDRED FIFTY SHARES OF ITS CAPITAL STOCK OF THE PAR VALUE OF ONE HUNDRED DOLLARS PER SHARE.

Application No. 4450.

Decided June 25, 1919.

Applicant authorized to issue \$25,000.00 par value of its capital stock to be sold at not less than face value, the proceeds thereof to be used in the purchase of motor trucks and the establishment of a motor truck freight service between Sacramento and Red Bluff and intermediate points. A certificate permitting the operation of such service is also granted under the provisions of chapter 213, Laws of 1917.

Sanborn & Rockl, by *A. B. Rockl*, for Applicant.

P. A. Plant, for *C. M. Ray*, Protestant.

G. J. Bradley, for the Merchants and Manufacturers Association of Sacramento.

J. R. Wilson, for Sacramento Northern Railroad.

BY THE COMMISSION.

ORDER.

Valley Motor Transport Company, a corporation, has petitioned the Railroad Commission for an order declaring that public convenience and necessity require the operation by it of an automobile truck line as a common carrier of freight and express between Sacramento and Red Bluff and intermediate points, and for authority to issue and sell 150 shares of its capital stock of the par value of \$100.00 per share.

A public hearing was conducted by Examiner Handford at Sacramento on April 18, 1919, the matter was duly submitted and is now ready for decision.

Applicant proposes to charge rates in accordance with a schedule marked Exhibit "A" and filed with the application in this proceeding and to operate on a schedule of one round trip daily, serving the intermediate communities at Davis, Woodland, Yolo, Zamora, Dunnigan, Arbuckle, Williams, Colusa, Maxwell, Willows, Artois, Orland and Corning. The equipment proposed to be used consists of three Moreland motor trucks, each of a capacity of one and one-half tons, equipped with pneumatic tires, additional equipment to be obtained if justified by the demands of traffic.

The evidence in this proceeding shows that applicant proposes to establish a fast motor express service between Sacramento and Red

Bluff, serving the intermediate communities, that stations will be established in Sacramento and Red Bluff and possibly at other intermediate points if the requirements of the business will warrant. Free pick-up and delivery service will also be given in the various municipalities.

The rates proposed are approximately the same as those of the American Railway Express, but will be more attractive to the public in that the classification is somewhat more liberal than that of the American Railway Express and the item of pick-up and delivery has been extended to cover a greater area in the communities proposed to be served.

At the hearing on this application it was stipulated that the portion of the route between Sacramento and Woodland as regards local business might be eliminated from the permission sought, thus disposing of the protests of C. M. Ray and the Sacramento Northern Railroad.

The service proposed by applicant appears desirable and a necessity and convenience for the public along the route herein sought.

Applicant has secured permits from the boards of supervisors of the counties of Yolo, Colusa and Tehama; from the city commission of the city of Sacramento; from the boards of trustees of the city of Davis and the towns of Orland and Colusa, in accordance with the provisions of section 3, chapter 213, laws of 1917, as evidenced by certified copies thereof filed with this commission.

At the hearing, applicant requested permission to amend its request for the issuance of 150 shares of its capital stock to authority for the issuance of 250 shares of capital stock of the par value of \$100.00 per share.

Valley Motor Transport Company was organized on or about December 13, 1918, with an authorized capital stock of \$50,000.00, divided into 500 shares of the par value of \$100.00 each. The company in this application, as amended at the hearing, asks permission to issue \$25,000.00 of stock at par. It is not the intention of the company to offer its stock to the public generally. It has been subscribed for by M. J. Richard, J. F. Merrill, L. H. Chapman, L. G. Shepard and J. H. Shepard.

The proceeds obtained from the sale of its \$25,000.00 of stock, applicant intends to expend for the following purposes:

To acquire two 2½-ton Moreland trucks.....	\$5,700 00
To acquire two 3-ton trailers	1,800 00
To acquire one Dodge touring car.....	1,200 00
To acquire three 1½-ton Moreland trucks.....	11,700 00
To pay for equipping offices, printing, supplies, organization expenses and provide for general working capital.....	4,600 00
Total	\$25,000 00

If the commission is ever called upon to fix applicant's rates, consideration will be given to the value of applicant's equipment then in use rather than the amount of stock which it is herein authorized to issue.

The Railroad Commission hereby declares that public convenience and necessity require the operation by Valley Motor Transport Company, a corporation, of an automobile truck line as a common carrier of property between Sacramento and Red Bluff and intermediate points; provided, however, that this declaration shall not become effective until said Valley Motor Transport Company, a corporation, shall have secured from the Railroad Commission a supplemental order herein reciting that said Valley Motor Transport Company has filed herein certified copies of permits issued by the board of supervisors of Glenn County and from the boards of trustees of the cities of Red Bluff and Woodland and the town of Willows, in accordance with the provisions of section 3, chapter 213, laws of 1917; and provided, further, that no authority is hereby granted for the transaction of any local business between Sacramento and Woodland and intermediate points, such local business being satisfactorily cared for by existing transportation companies; and provided, further, that the rights and privileges herein granted may not be transferred nor assigned unless the written permission of the Railroad Commission to such transfer or assignment has first been procured.

The Railroad Commission hereby further declares that the Valley Motor Transport Company, a corporation, is hereby authorized to issue \$25,000.00 of stock, the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue of stock is reasonably required for the purpose or purposes hereinabove specified, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income.

It is hereby ordered that Valley Motor Transport Company be, and it is hereby authorized to issue at par \$25,000.00 par value of its common capital stock upon the following conditions and the following purposes:

(1) The proceeds obtained from the sale of its stock shall be used for the following purposes and no other:

To acquire two 2½-ton Moreland trucks	\$5,700 00
To acquire two 3-ton trailers	1,800 00
To acquire one Dodge touring car.....	1,200 00
To acquire three 1½-ton Moreland trucks.....	11,700 00
To pay for equipping offices, printing, supplies, organization expenses and provide for general working capital.....	4,600 00
Total	\$25,000 00

(2) Valley Motor Transport Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the stock herein authorized to be issued, and on or before the 25th day of each month, until all of said stock has been issued and the proceeds expended, the company shall make verified reports to the Railroad Commission stating the sale or sales of said stock during the preceding month, the use and application of any moneys derived from the sale of such stock; all in accordance with this commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(3) The authority herein granted shall apply only to such stock as may be issued on or before December 15, 1919.

It is hereby further ordered that no vehicle may be operated under this certificate unless such vehicle is owned by the applicant herein or is leased by such applicant under a contract or agreement on a basis satisfactory to the Railroad Commission, and that no authority for the carriage of passengers over any portion of the route is hereby conveyed.

Dated at San Francisco, California, this twenty-fifth day of June, 1919.

DECISION No. 6433.

IN THE MATTER OF THE APPLICATION OF SHAFTER WAREHOUSE COMPANY FOR AUTHORITY TO INCREASE WAREHOUSE RATES AT SHAFTER.

Application No. 4622.

IN THE MATTER OF THE APPLICATION OF J. T. COMPTON FOR AUTHORITY TO INCREASE WAREHOUSE RATES AT PIXLEY.

Application No. 4623.

IN THE MATTER OF THE APPLICATION OF TULARE LAKE DREDGING COMPANY FOR AUTHORITY TO INCREASE WAREHOUSE RATES AT GUERNSEY.

Application No. 4627.

Decided June 25, 1919.

W. H. Hitchcock, for Shafter Warehouse Company.

J. T. Compton, *in propria persona*.

K. Vanzandt, for Tulare Lake Dredging Company.

MARTIN, *Commissioner*.

OPINION.

Applicants herein operate public warehouses in upper San Joaquin Valley within a radius of approximately twenty-five miles as follows:

Shafter Warehouse Company, at Shafter, in Kern County.

J. T. Compton, at Pixley, in Tulare County.

Tulare Lake Dredging Company, at Guernsey, in Kings County.

Grain is the principal commodity stored in the district, and rate schedules now on file with the commission show that the usual charges for season storage are now on the same basis at the three warehouses involved—being \$1.00 per ton—except that Shafter Warehouse Company charges \$1.25 per ton on lots less than five tons, and Tulare Lake Dredging Company publishes an additional rate of 50 cents per ton for the second season. Rates charged by applicants for less than season periods vary, as also does the rate for loading through warehouses. Shafter Warehouse alone has in effect rates for the storage of potatoes and onions and for miscellaneous storage.

Tulare Lake Dredging Company and J. T. Compton ask for an advance from \$1.00 per ton in straight first-season rates for grain to \$1.25 per ton, while Shafter Warehouse Company requests \$1.50 per ton per season for quantities of grain over five tons and \$1.75 per ton for lots less than five tons; this applicant also seeks to increase rates covering potatoes and onions handled through its warehouse and for storage for five-day periods, to a maximum of 50 per cent, and practically the same increase for miscellaneous storage.

The proposed advances are based upon alleged increased operating costs, with special reference to labor, the experience of these small warehouse concerns being about the same as other warehouse companies in San Joaquin Valley, as shown by the commission's record in Applications 4614, et al. with respect to the percentage of increases paid for labor within the past two years. The record also shows that labor is even more difficult to obtain due to the fact of more or less isolated communities, limited capacity of warehouses, and impracticability of maintaining regular warehouse crews. Operating statements submitted with the applications show receipts and expenditures as follows:

	Shafter Warehouse Company	J. T. Compton	Tulare Lake Dredging Company
Receipts -----	\$1,730 86	\$560 18	\$1,275 00
Expenses -----	1,512 05	416 89	1,608 00
Balance -----	\$218 81	\$143 29	\$333 00

¹1917 only. ²Average for 4 years. ³Loss 1918 only.

A hearing was held on these applications on June 6, 1919, at Tulare, at which time testimony was offered by the petitioners in support of their respective requests. No one appeared in opposition to the applications, and witnesses were in entire accord as to the need of applicants for increased warehouse rates in order to meet the additional outlay for labor and materials. From the testimony of applicants it is

estimated that increases if authorized on the basis of recommendations made herein will net for the season of 1919 maximum additional revenue as follows:

Shafter Warehouse Co.	\$500 00
Tulare Lake Dredging Co.	1,250 00
J. T. Compton (Pixley Warehouse)	200 00

Although the petition of Shafter Warehouse Company proposes a schedule of rates, some of which are considerably higher than rates sought by the other two applicants, and the testimony, in a way, supported the claim that crop conditions at Shafter are somewhat different from those obtaining at either Guernsey or Pixley, and therefore tending to justify different rates, such testimony, however, was not conclusive on this point; and it is believed that a moderate increase in grain rates conforming to that which may be authorized at the warehouses of the other two applicants herein, will relieve the situation, and together with increases sought for storing other commodities, enable this applicant to operate its warehouse without financial loss. If not, the matter may be covered later by a new application. A uniform schedule of rates will be recommended for the three petitioners in so far as they are engaged in the same class of storage, all being in the same general district, operating comparatively small warehouses, and on the same footing with reference to securing outside labor.

For the foregoing reasons I am of the opinion that applicants herein should be authorized to increase warehouse rates at their respective warehouses and that such increases should not exceed the schedule of rates set forth in the accompanying order, the form of which I herewith recommend.

ORDER.

Shafter Warehouse Company, J. T. Compton and Tulare Lake Dredging Company, each having made application to the Railroad Commission for authority to increase and adjust warehouse rates, a hearing having been held thereon, the matter in each instance having been submitted and being now ready for decision,

It is hereby found as a fact, that rates heretofore charged by applicants for warehouse service at their respective places of business, in so far as they differ from the rates set forth in the following schedule, are unjust, unreasonable and non-compensatory for the classes of service indicated;

Basing its order upon the foregoing finding of fact and upon the other facts contained in the opinion preceding this order,

It is hereby ordered that Shafter Warehouse Company, J. T. Compton, and Tulare Lake Dredging Company be and they are hereby authorized to publish and file within 30 days from date hereof and thereafter

collect, rates for warehouse service at their respective warehouses in accordance with the following schedule, which rates are found to be just and reasonable:

SCHEDULE OF WAREHOUSE RATES.

<i>Grain or Rice.</i>	
Item.	
1. Storage (includes receiving and weighing in)—	Per ton.
(a) 30 days or less, in dump-----	\$0 50
(b) 30 days or less, when piled-----	75
(c) Season ending May 31 following storage-----	1 00
2. Loading—	
(a) From storage to team or car-----	25
(b) Through warehouse without storage-----	50
<i>Potatoes and Onions.</i>	
3. Storage (includes receiving and weighing in)—	
(a) 5 days or less-----	35
(b) Season ending May 31 following storage-----	1 50
4. Loading—	
(a) From storage to team or car-----	25
(b) Through warehouse without storage-----	40
<i>Miscellaneous Merchandise.</i>	
5. Storage—	
(a) 30 days, or less-----	*10
(b) Season ending May 31-----	*20
6. All warehouse service performed under governmental regulations for the benefit of patrons, or requirements of individual storers, not otherwise provided for herein, will be based upon actual cost to warehouseman of labor employed and material used.	

*Per sq. ft. of floor space occupied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-fifth day of June, 1919.

DECISION No. 6434.

IN THE MATTER OF THE APPLICATION OF SIMON NEWMAN COMPANY FOR AUTHORITY TO INCREASE WAREHOUSE RATES AT NEWMAN AND OTHER POINTS IN STANISLAUS AND MERCED COUNTIES.

Application No. 4614.

IN THE MATTER OF THE APPLICATION OF A. L. GILBERT FOR AUTHORITY TO INCREASE WAREHOUSE RATES AT OAKDALE.

Application No. 4615.

IN THE MATTER OF THE APPLICATION OF CROWS LANDING WAREHOUSE COMPANY FOR AUTHORITY TO INCREASE WAREHOUSE RATES AT CROWS LANDING.

Application No. 4616.

IN THE MATTER OF THE APPLICATION OF THE GRANGE COMPANY
FOR AUTHORITY TO INCREASE WAREHOUSE RATES AT MODESTO
AND SUNDRY OTHER POINTS IN STANISLAUS AND MERCED
COUNTIES.

Application No. 4617.

IN THE MATTER OF THE APPLICATION OF OAKDALE MILLING COM-
PANY FOR AUTHORITY TO INCREASE WAREHOUSE RATES AT
OAKDALE AND SUNDRY OTHER POINTS IN SAN JOAQUIN, STAN-
ISLAUS AND MERCED COUNTIES.

Application No. 4618.

IN THE MATTER OF THE APPLICATION OF L. H. MOYER FOR AUTHOR-
ITY TO INCREASE WAREHOUSE RATES AT CRESSEY.

Application No. 4619.

IN THE MATTER OF THE APPLICATION OF BAKER & COMPANY, INC.,
FOR AUTHORITY TO INCREASE WAREHOUSE RATES AT
MODESTO.

Application No. 4620.

IN THE MATTER OF THE APPLICATION OF A. B. SHOEMAKE COMPANY
FOR AUTHORITY TO INCREASE WAREHOUSE RATES AT
MODESTO.

 Application No. 4621.

Decided June 25, 1919.

WAREHOUSE RATES—SAMPLING COSTS.—The establishment of a charge to cover cost of taking samples is unreasonable; such small cost and other incidental services rendered by warehousemen should be absorbed by the storage charge and are reasonably covered by the general rates charged.

WAREHOUSE RATES—EFFECT OF INCREASED COST OF OPERATION.—Warehouse operators are entitled to increases in rates sufficient to cover increased cost of operation due to conditions existing at the present time. Revised schedule of rates established to become effective within thirty days.

E. S. Wangerheim, for Simon Newman Company, and Crows Landing Warehouse Company.

A. L. Gilbert, *in propria persona*.

L. L. Donnett, for Grange Company and Oakdale Milling Company.

L. H. Moyer, *in propria persona*.

Leslie R. Baker, for Baker & Company, Inc.

T. M. Martz, for A. B. Shoemake Company.

Geo. H. Sauger, for Stanislaus County Farm Bureau.

H. C. Thompson, for Thompson Bros. Grain Company.

P. S. Bomberger, for Bomberger & Company.

E. L. Routh, for various farmers and warehouse patrons.

MARTIN, *Commissioner*.

OPINION.

Applicants herein operate public warehouses in the same general district in the San Joaquin Valley centering in east Stanislaus County,

and embracing various farming communities within a radius of approximately thirty miles. According to reports submitted in connection with the applications covering the storage season of 1918, about 80 per cent of all tonnage passing through applicants' warehouses consists of grain, 13 per cent beans and 5 per cent hay, the remainder being rice and odd lots of other commodities. The storage of hay, rice and miscellaneous products, as said reports show, is confined, for the present, to warehouses operated by the Grange Company and the Oakdale Milling Company, but all are engaged in the storage of grain and, with a single exception, beans are likewise handled by each applicant.

Rates in effect at the various warehouses of applicants for the storage of grain and beans are at present on the same basis, being \$1.00 per ton per season ending May 31, except that the Simon Newman Company's tariffs show May 1 as the closing date for the grain storage season. This charge is graduated in most instances so as to apply 50 cents per ton for the first month, 25 cents additional for the second and 25 cents additional for the third, with balance of season free. For the storage of beans, in so far as applicants have filed rates to cover the commodity, a straight seasonal charge of \$1.00 per ton is made. Some of the schedules show slight variations in the manner of assessing the less-than-season rates, but the result is the same. Although the schedules are not complete in that respect, the charge of \$1.00 per ton per season includes the service of loading grain and beans from warehouse into car; it also covers such incidental service connected with storage as it was customary for the various warehousemen to perform at the time the several schedules were filed.

In the applications now being considered, it is proposed to assess an additional charge of 25 cents per ton to cover the loading of all stored products from warehouse to car; to establish a rate of 25 cents each for all samples of grain or beans drawn from storage by the warehouseman or parties other than the owner, or one having direct authority from the owner; and to add to the present charge covering dried fruits, potatoes and onions 2 cents per bag for the first month and 1 cent per bag for each month thereafter. The commission is further asked to fix the following charges for incidental services rendered in accordance with the requirements of the owners of the commodity:

Delivering odd lots, each delivery.....	\$0 25
Loading gondola cars, per ton additional.....	10
Reweighing, per ton additional.....	25
Stenciling bags, for each stencil used.....	15
Preparation of car to meet Food Administration's regulations, per car..	2 50

As to form, some of the applications embraced herein vary to meet the details of operation, but the ultimate purpose is apparently the same—the establishment of uniform remunerative rates for the entire district involved.

A hearing on the applications was held at Modesto on June 3, 1919, at which time testimony was presented on behalf of the various applicants, it being by agreement stipulated that the record as to the Grange Company's experiences—the principal applicant in point of number of warehouses operated—should, with reference to increased operating expenses and other details of warehouse service, be considered as applying to each applicant, in so far as such experiences were common to all, peculiarities of individual service or in matters of enforcing regulations or rates being reserved for presentation by the individual petitioners. With one exception, each applicant submitted verified statements showing that the commission's instructions concerning publication in local papers and mailing of individual notices of the hearing to warehouse patrons had been faithfully carried out, it being shown in the excepted instance that no local paper is published and that notice to patrons had been given personally and by posting on warehouse door.

The applications are all based upon alleged increases in wages which applicants are obliged to pay for warehouse labor, the experience of all being practically the same. The testimony shows that truckers formerly paid \$2.50 for a ten-hour day received \$4.00 during the season 1918, and pilers paid \$3.00 per day prior to 1918 received last year \$5.00 per day. It was also shown that other expenses connected with warehousing, such as piling, equipment, gasoline and power, have advanced 50 per cent over previous years; that the cost of repairs of all kinds has doubled; that the price of lumber for flooring, etc., has increased 100 per cent; that scales formerly bought for \$78.25 now cost \$146.50. It was also in evidence that the labor situation in so far as applicants are concerned, promises no improvement for the 1919 warehouse season, with reference to either supply or quality, it being the opinion of applicants generally that labor efficiency in the warehouse business has steadily declined for the last several years. As to increases in the prices of labor, equipment and materials required to operate a public warehouse, difficulties in securing men to work in warehouses in competition with the farms and the general inefficiency of warehouse labor, applicants were in entire accord; nor was there any testimony whatsoever presented tending to controvert applicants' statements concerning increased operating expenses.

Annual reports on file with the commission by four of the applicants show the following operating results for the storage years 1917 and 1918:

	The Grange Company	Oakdale Milling Company	S. Newman Company	Crows Landing Warehouse Company
1917—				
Receipts -----	\$31,584 12	\$1,989 45	\$16,935 08	\$2,213 96
Expenses -----	32,017 24	2,317 52	20,698 21	1,766 48
Loss -----	\$433 12	\$328 07	\$3,763 13	*\$447 48
1918—				
Receipts -----	\$52,454 37	\$17,787 32	\$16,807 85	\$1,245 45
Expenses -----	53,323 01	17,690 06	18,375 79	1,199 50
Loss -----	\$868 64	*\$97 26	\$1,567 94	*\$45 95

*Gain.

The above operating statements, showing an aggregate net loss of \$6,960.90 for the two years indicated, take no account of interest on an alleged investment of approximately \$427,000.00, nor does depreciation make up any part of the expenses set forth. Testimony at the hearing further supported these results by showing that the accounts of applicants engaged in other lines of business have been strictly segregated during the last few years, so as to insure the filing of annual reports correctly reflecting their public utility business. Figures relating to the business of the other applicants are not available, for the reason that reports for the same period are not on file, some being new in the public utility field, and others filing no annual report because of the small volume of business done.

There was nothing in offered evidence to show that warehouse rentals in the district have been advanced. Whether the rentals paid for grain warehouses in San Joaquin, Stanislaus and Merced counties are now on a fair and equitable basis could only be determined after an investigation, but the fact that rentals now being paid have in most instances been in force for a number of years without challenge would, prima facie, indicate that they are not excessive, for it is to be presumed that these warehouse companies have been operating their properties upon a business basis.

Certain local grain dealers protested against the proposed sampling charges, applicable largely to beans and grain. The evidence as to the time ordinarily required for taking samples, the manner in which taken at the various warehouses, whether or not the time of warehouse employees other than those actually engaged in taking samples is required and whether it is customary, or at all necessary for a warehouse employee to accompany or assist in drawing samples, was not

conclusive. Applicants themselves were more or less divided on the practicability of establishing a flat charge for this special service.

In view of the uncertainty of the value of the service, I am of the opinion that a flat rate for taking samples should not be fixed at this time. However, where sampling costs are involved there can be no justice in requiring warehouseman to absorb the expense. This principle applies with equal force to other incidental services, the establishment of rates for which is sought in these applications. I will, therefore, only recommend rates to cover definite warehouse services and leave to a future proceeding the inauguration of fixed rules and regulations affecting the sampling of commodities and other accessorial services performed at the warehouses.

With the exception of a verbal protest from the president of the Stanislaus County Farm Bureau made at the hearing and followed by a written communication, all parties were agreed that applicants are entitled to an increase in the storage rates, based on the conditions existing at the present time. The Farm Bureau representative was not certain that increases should be allowed; he was of the opinion farmers had received insufficient notice to prepare a protest, but admitted that much time would be required to assemble data and that a report when made would probably fail to furnish any information regarding the increased cost of operating the public warehouses.

The proposed charge of \$2.50 per car for conditioning cars to meet the United States Food Administration's rules, that of 15 cents per ton for stenciling bags and the charge of 25 cents per ton for dividing and reweighing lots, were not seriously opposed at the hearing. Under the increasing demands made on warehousemen a reasonable charge for special service is entirely justified. Proposed increases affecting the storage of dried fruits, potatoes and onions should be allowed only to the extent of bringing the charges to the basis of rates charged at Stockton, where these commodities are handled and where the service has heretofore been investigated by the commission and reasonable rates fixed therefor.

Under all of the circumstances as developed in this proceeding, I am of the opinion that the warehouse rates now being charged are non-compensatory and that the rates set forth in the order herein are just and reasonable.

I recommend the following form of order:

ORDER.

The Simon Newman Company, A. L. Gilbert, Crows Landing Warehouse Company, The Grange Company, Oakdale Milling Company, L. H. Moyer, Baker & Company, Inc., and A. B. Shoemaker Company, having applied to the Railroad Commission for authority to increase certain

rates and establish certain charges for service connected with the operation of public warehouses located at specified points in San Joaquin, Stanislaus and Merced counties, a public hearing having been held thereon and the matter having been submitted,

It is hereby found as a fact that the rates charged by applicants herein, to the extent that such rates differ from those set out in this order, are unjust, unreasonable and non-remunerative for the service performed.

Basing its order upon the foregoing finding of fact and upon other findings detailed in the opinion preceding this order,

It is hereby ordered that the Simon Newman Company, A. L. Gilbert, Crows Landing Warehouse Company, The Grange Company, Oakdale Milling Company, L. H. Moyer, Baker & Company, Inc., and A. B. Shoemaker Company be and they are hereby authorized to publish and file with the Railroad Commission within thirty (30) days from date hereof the rates for service at their several warehouses, as contained in the following schedules, which rates are found to be just and reasonable:

1. Alfalfa Meal— *Storage.*
 - (a) First 30 days or fraction thereof, per ton.....\$0 60
 - (b) Over 30 days but not to exceed 60 days, per ton..... 90
 - (c) Over 60 days but not to exceed the season ending May 31,
per ton 1 20
 - (d) Minimum storage charge..... 1 00
2. Grain—
 - (a) First 30 days or fraction thereof, per ton..... 50
 - (b) Over 30 days but not to exceed 60 days, per ton..... 75
 - (c) Over 60 days but not to exceed the season ending May 31,
per ton 1 00
 - (d) Minimum storage charge..... 1 00
2. Rice—
 - (a) First 30 days or fraction thereof, per ton..... 75
 - (b) Over 30 days but not to exceed 60 days, per ton..... 1 00
 - (c) Over 60 days but not to exceed the season ending May 31,
per ton 1 25
 - (d) Above rates will be doubled when rice is ricked, materials
for this purpose to be furnished by owner.
 - (e) Minimum storage charge..... 1 00
4. Alfalfa Seed—
 - (a) Per season ending May 31, or any part thereof, per ton... 2 00
 - (b) Minimum storage charge..... 1 00
5. Beans—
 - (a) Per season ending May 31, or any part thereof, per ton.... 1 00
 - (b) Minimum storage charge..... 1 00
6. Hay—
 - (a) First season ending May 31, or any part thereof, per ton..... 1 25
 - (b) Second season or any part thereof, per ton..... 1 00

NOTE.—Hay referred to herein means oat, wheat, barley and alfalfa in the ordinary bales.

7. Dried Fruits, Potatoes, Onions, in Bags —	
(a) First 30 days, per bag	\$0 03
(b) Each 30 days or fraction thereof after first 30 days, per bag ..	01
(c) Minimum storage charge	1 00

Loading.

8. (a) Grain, Beans, Alfalfa Meal, Alfalfa Seed and Rice—	
Loaded into box cars, per ton	25
Loaded into gondola cars, per ton	35
(b) Hay, per ton	35
(c) Dried fruits, Potatoes or Onions, in bags, per bag	02

Weighing.

9. (a) Reweighing at owner's request any commodity in storage, per ton	25
(b) Minimum weighing charge	25

Miscellaneous Charges.

10. (a) Deliveries to vehicles other than railroad cars, per ton	25
(b) Minimum charge for lots less than one ton	25
(c) Conditioning cars for loading in conformity with U. S. Food Administration regulations, per car	2 50
(d) Stenciling, marking, sampling, resacking and other incidental warehouse service involving an extra expense to warehouse- man, when performed at the specific request, or when required by governmental regulations, if not otherwise rated in this schedule, will be performed at the actual cost to warehouse- man of labor employed and material used.	

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-fifth day of June, 1919.

DECISION No. 6435.

IN THE MATTER OF THE APPLICATION OF EL DORADO WATER COMPANY, A CORPORATION, FOR AUTHORITY TO ACQUIRE CERTAIN REAL AND PERSONAL PROPERTY FROM WESTERN STATES GAS AND ELECTRIC COMPANY, TO MORTGAGE THE SAME; FOR THE APPROVAL OF TWO CERTAIN CONTRACTS WITH SAID WESTERN STATES GAS AND ELECTRIC COMPANY, AND FOR AUTHORITY TO ISSUE STOCKS AND BONDS.

Application No. 4662.

Decided June 25, 1919.

Applicant authorized to execute a mortgage and to issue \$8,500.00 par value of stock and \$30,000.00 face value of bonds proceeds to discharge \$7,800.00 in advances made by El Dorado Water Users Association, and \$25,000.00 face value bonds in the purchase of water properties from the Western States Gas and Electric Company.

B. D. Marx Greene, for El Dorado Water Company.

Chickering & Gregory, by *Allen L. Chickering*, for Western States Gas and Electric Company.

BY THE COMMISSION.

OPINION.

El Dorado Water Company asks permission to purchase from the Western States Gas and Electric Company the properties described in Exhibit "C" attached to the petition herein, enter into an agreement to purchase water from Western States Gas and Electric Company, execute a mortgage securing the payment of \$60,000.00 of 6 per cent bonds due July 1, 1949, issue and sell \$30,000.00 of said bonds and \$8,500.00 par value of stock.

A hearing on the above entitled application was held before Examiner Encell on June 16 at San Francisco.

The decision in Application No. 4661 authorizes Western States Gas and Electric Company to sell the properties to El Dorado Water Company. Reference is here made to said decision for a general description of the properties and the reasons for their sale.

El Dorado Water Company asks permission to execute a mortgage substantially in the same form as the mortgage filed with the commission on June 19, 1919. The proposed mortgage constitutes a lien on all property which the company now owns or which it may acquire during the period that any bonds issued under the mortgage are outstanding. The mortgage secures the payment of \$60,000.00 of 6 per cent bonds due July 1, 1949. It provides for a sinking fund and gives the company the option to redeem all or part of the bonds on any interest payment date at 102 and accrued interest.

Applicant asks permission to issue \$30,000.00 of its bonds immediately. Of said \$30,000.00 of bonds, \$25,000.00 will be delivered to the Western States Gas and Electric Company in payment for the properties described in Exhibit "C" and \$5,000.00 will be sold at par. Applicant intends to use the \$5,000.00 to pay for the installation of pipe lines on two of its distributing ditches, to pay for lining some of its ditches, make surveys for the purpose of ascertaining more definitely the elevations, grades and carrying capacities of its ditches and acquire options on lands to cover possible reservoir sites.

El Dorado Water Users Association, a nonprofit organization, was organized primarily for the purpose of litigating with the Western States Gas and Electric Company the rights to the use of water which Western States Gas and Electric Company claims to have acquired when it purchased the properties of Sierra Water Supply Company and El Dorado Water and Deep Gravel Mining Company. The association filed and prosecuted Case No. 1107 before the commission. To June 14, 1919, it has expended, so the testimony shows, for surveys, preparation of engineering data, counsel fees and other purposes the sum of \$8,507.72. Much valuable data and information has been gathered by the association, all of which will deliver to the El Dorado Water Company in exchange for \$7,800.00 of stock. As a result of negotiations carried on by the association, El Dorado Water Company is able to purchase at a cost of \$25,000.00 properties which it is estimated would cost \$139,363.00 to reproduce new, and which have an estimated present value of \$129,721.00.

The proceeds from the \$700.00 of stock which applicant intends to issue for the purpose of qualifying directors have been and will be expended to pay organization costs.

ORDER.

El Dorado Water Company having applied to the Railroad Commission for permission to purchase certain properties from Western States Gas and Electric Company, to enter into certain contracts and to issue stocks and bonds, a public hearing having been held and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that the expenditures for which the bonds are to be issued are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that El Dorado Water Company be and it is hereby granted authority to purchase from Western States Gas and Electric Company the properties described in Exhibit "C" attached to the petition herein, and to enter into a contract to purchase water from

Western States Gas and Electric Company, said contract to be substantially in the same form as the contract filed with the commission on June 19, 1919.

It is hereby further ordered that El Dorado Water Company be and it is hereby granted authority to execute a mortgage substantially in the same form as the mortgage filed with the commission on June 19, 1919.

It is hereby further ordered that El Dorado Water Company be and it is hereby granted authority to issue and sell at not less than par \$8,500.00 of stock and \$30,000.00 face value of 6 per cent bonds due July 1, 1949.

The authority herein granted is upon the following conditions:

1. Of the stock herein authorized to be issued, \$7,800.00 shall be delivered to the El Dorado Water Users Association and \$700.00 to directors for qualifying purposes, the proceeds from the sale of said stock to be used to liquidate advances made by El Dorado Water Users Association and by the directors of applicant.

2. Of the bonds herein authorized, \$25,000.00 shall be delivered to the Western States Gas and Electric Company in payment of the properties described in Exhibit "C" attached hereto and \$5,000.00 shall be sold for cash and the proceeds used to pay for the improvements referred to in the foregoing opinion and more particularly described in the testimony in this proceeding.

3. The consideration at which the public utility properties are herein authorized to be purchased shall not be considered as a measure of value of said properties before this commission or any other public body for rate fixing or any purpose other than the transfer herein authorized.

4. The approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said mortgage as to such other legal requirements, to which said mortgage may be subject.

5. El Dorado Water Company shall keep such record of the issue and sale of the stock and bonds herein authorized and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

6. The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

7. The authority herein granted shall apply only to such stock and bonds as may be issued on or before November 1, 1919.

Dated at San Francisco, California, this twenty-fifth day of June, 1919.

DECISION No. 6436.

IN THE MATTER OF THE APPLICATION OF WESTERN STATES GAS AND ELECTRIC COMPANY, A CORPORATION, TO SELL CERTAIN PROPERTY SITUATE IN THE COUNTY OF EL DORADO, STATE OF CALIFORNIA, AND FOR THE APPROVAL BY SAID COMMISSION OF CERTAIN CONTRACTS BETWEEN WESTERN STATES GAS AND ELECTRIC COMPANY, EL DORADO WATER COMPANY AND EL DORADO COUNTY WATER USERS ASSOCIATION.

Application No. 4661.

Decided June 25, 1919.

Order made approving agreement for the sale of water and authorizing the transfer of certain irrigation properties from Western States Company to the El Dorado Water Company, in exchange for \$25,000.00 face value of bonds of the latter.

Chickering & Gregory, by *Allen L. Chickering*, for Western States Gas and Electric Company.

B. D. Marx Greene, for El Dorado Water Company.

BY THE COMMISSION.

OPINION.

Western States Gas and Electric Company asks permission to sell and El Dorado Water Company to purchase the water and ditch system described in Exhibit "1," attached to the petition herein. Western States Gas and Electric Company also asks permission to sell water to El Dorado Water Company pursuant to the terms of the agreement filed with the commission on June 19, 1919.

A public hearing was held on the above entitled matter before Examiner Encell on June 16, at San Francisco.

In 1916 Western States Gas and Electric Company purchased a water and ditch system from Sierra Water Supply Company and El Dorado Water and Deep Gravel Mining Company. The primary object in purchasing the ditch system was for the generation of hydroelectric power and not the sale of water for irrigation and domestic purposes. Following the purchase of the system by Western States Gas and Electric Company, the El Dorado County Water Users Association, a nonprofit organization, was formed for the purpose, among others, to litigate with Western States the rights to the use of the water. It filed with the commission Case No. 1107, decided by Decision No. 5409, dated May 28, 1918. A decision on a petition for rehearing has been held in abeyance pending negotiations for the sale of part of the water and ditch system to the association or corporation organized by it. As a result of the negotiations, and subject to the approval of the Railroad Commission, Western States Gas and Electric Company has agreed to sell for

\$25,000.00 to El Dorado Water Company, organized and controlled through stock ownership by El Dorado County Water Users Association, that portion of its water system constituting its distributing system below that point in El Dorado County, known as the "Fourteen Mile House," being situate on the Tahoe state road, 14 miles above the town of Placerville.

Western States has also agreed to sell water at wholesale to El Dorado Water Company. A copy of the agreement covering the sale of the water has been filed with the commission. The agreement has been approved by the hydraulic division of the engineering department of the commission. It definitely fixes the amount of water which Western States Gas and Electric Company is obliged to deliver to El Dorado Water Company. R. W. Hawley, chief engineer and general manager of the water company, is of the opinion that the quantity of water which Western States must deliver under the agreement will be sufficient to meet the needs of the consumers for a considerable number of years and that the supply can be increased through the construction of storage reservoirs in the district irrigated.

It appears from the testimony that the transfer of the water and ditch system described in Exhibit "1," and the approval of the agreement for the sale of the water is in the public interest. As a result of the sale of the properties, the pending litigation will be dismissed and the consumers given complete control over the manner and operation of the system, while the approval of the water sale agreement definitely fixes the obligations of Western States to deliver water in such manner as to permit it to proceed with the development of its hydroelectric projects.

ORDER.

Western States Gas and Electric Company having applied to the Railroad Commission for permission to sell a certain water system and enter into an agreement for the sale of water, a public hearing having been held, and the Railroad Commission being of the opinion that this application, subject to the conditions herein mentioned should be granted,

It is hereby ordered that Western States Gas and Electric Company be and it is hereby granted authority to sell and El Dorado Water Company to purchase the properties described in Exhibit "1" attached to the petition herein, said sale and purchase to be made pursuant to the terms and conditions set forth in said exhibit.

The Railroad Commission approves the agreement filed on June 19, 1919, covering the sale of water by Western States Gas and Electric Company to El Dorado Water Company.

The authority herein granted is upon the following conditions and not otherwise:

1. The consideration at which the public utility properties are herein authorized to be transferred shall not be considered as a measure of value of said properties before this commission or any other public body for rate fixing or any purpose other than the transfer herein authorized.

2. El Dorado Water Company shall submit to the commission for approval all book entries relative to the purchase of the properties.

3. Within thirty days after the execution by the petitioners of an instrument of conveyance transferring the properties herein referred to, a certified copy of said instrument of conveyance should be filed with the Railroad Commission by El Dorado Water Company.

4. The authority herein granted shall apply only to such properties as shall be transferred on or before November 1, 1919.

Dated at San Francisco, California, this twenty-fifth day of June, 1919.

DECISION No. 6438.

IN THE MATTER OF THE CHARGE AND COLLECTION BY THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY OF TOLL RATES FOR LONG DISTANCE TELEPHONE SERVICE BETWEEN POINTS WITHIN THE STATE OF CALIFORNIA IN VIOLATION OF THE PUBLIC UTILITIES ACT OF CALIFORNIA.

Case No. 1290.

Decided June 25, 1919.

BY THE COMMISSION.

ORDER OF DISMISSAL.

The Supreme Court of the United States having, on June 2, 1919, in its decision in *Dakota Central Telephone Company et al vs. State of South Dakota et al* decided that, under the joint resolution of congress adopted July 16, 1918, and the proclamation of the president issued on July 22, 1918, both of which were in the exercise of the war power of the federal government, the Postmaster General has during the period of the war emergency, exclusive power to prescribe intrastate long distance and exchange telephone rates, which question is identical with the one involved in this proceeding.

It is hereby ordered that this proceeding be and the same hereby is dismissed.

Dated at San Francisco, California, this twenty-fifth day of June, 1919.

DECISION No. 6454.

IN THE MATTER OF THE APPLICATION OF CITIZENS WATER COMPANY OF SAN JACINTO, A CORPORATION, TO CHANGE AND INCREASE ITS RATES FOR WATER SERVICE.

Application No. 4024.

Decided June 26, 1919.

JURISDICTION—WATER COMPANIES—WHEN PUBLIC UTILITIES.—The provisions of the Public Utilities Act and chapter 80, laws of 1913, provide that a water company which sells water, whether by contract or otherwise, to other than its stockholders, is a public utility subject to the jurisdiction of the Railroad Commission. Applicant having so acted is held to be a public utility.

DAMAGES TO PLANT—EXTRAORDINARY EXPENSES INCURRED.—Extraordinary expenses incurred by a public utility due to flood or earthquake damage to its system should be distributed over a period of years intended to cover the period of their probable recurrence; such data being indefinite, a ten-year period is established as fair to the utility and its consumers.

IRRIGATION RATES—REGULARITY OF USE.—Occasional users of water from the system of an irrigation company should pay higher rates than the regular users, as should also consumers on higher levels, which service requires the utility to incur additional pumping expense.

Revised schedule of irrigation rates established.

Herbert J. Goudge and W. J. Williams, for Applicant.

Ray Bruce, for Protestants.

BY THE COMMISSION.

OPINION.

Citizens Water Company of San Jacinto applies for authority to increase and adjust its rates charged for irrigation water distributed in the vicinity of San Jacinto, Riverside County.

Public hearings upon the application were held by Examiner Westover at San Jacinto and Los Angeles.

Protestants hold Class "A" water certificates issued by San Jacinto Valley Water Company, applicant's predecessor in title, and Class "B" water certificates issued by applicant. Their written protest, filed by leave long after the hearing, is on the ground that neither applicant nor its predecessor dedicated the water to public use and that protestants do not consent thereto; that prior to the purchase of the system by applicant there was sufficient water available to supply the 800 acres then irrigated, but that applicant made extensions of its system for the purpose of supplying about 1,000 acres of land acquired by San Jacinto Land Company, whose stock was held by applicant's stockholders in the identical proportions in which they held applicant's stock; that sufficient compensation for such improvements to the system was received by applicant's stockholders in the increased price for which the adjacent lands were sold; that the lands irrigated are underlaid

with an abundant supply of water which can be developed and pumped at less than the rates fixed in the water certificates; and that the original cost of the system was equalled by the price paid by the holders of Class "A" certificates.

The prayer is, that the commission find the rates set forth in the contract just and fair and that the property has not been dedicated to public use; that the contracts or certificates represent private vested rights and that neither the certificates nor property are subject to the regulation and control of the commission.

The position of applicant is that practically all of the protestants appeared as protestants at the hearing of applicant's previous petition to increase rates in which the commission fixed the present rates; that no consumers or certificate holders applied for rehearing, but all have ever since paid the present rates without protest, thereby submitting to the jurisdiction of the commission. To this the protestants make reply in their brief that the rates prescribed did not exceed those set forth in the certificates, and therefore there was no occasion to protest.

Class "A" certificates issued by San Jacinto Valley Water Company provide that the holder is entitled to receive a continuous flow of one-fifth of an inch of water to each acre of land to which it shall be devoted, as designated on the certificate, for the seven summer months commencing March 15 and ending October 15, yearly, upon payment in advance of \$3.00 per acre for the use of water during each irrigation season. An inch of water is defined as equaling 12,960 gallons for every 24 hours. It is provided that the interest represented by the certificate shall not become appurtenant to or pass with any land upon which it may be used, but certificates shall be transferred only by surrender of certificate and issuance of a new certificate.

The Class "B" certificate issued by applicant differs from the Class "A" certificate in that it provides for a maximum service of one-seventh of a miner's inch per acre instead of one-fifth, and provides a maximum rate of 15 cents per inch per 24-hour day, with annual dues of \$3.00 for each acre of land served, payable in advance on March 15 of each year, to be credited on water charges for water used during the current irrigation season.

At the hearing upon applicant's earlier petition to increase rates, Application No. 994, most of the protestants appeared by counsel and filed written protest, making the same points in relation to jurisdiction which they now raise, but urging that if the commission concluded that it had jurisdiction that it require the company to place measuring weirs and fix a schedule of rates suggested by protestants, and that in determining rates the investment in the system be disregarded for the reason that the amounts realized from the purchase of water certificates would

equal the investment. The commission held that it had jurisdiction to fix rates and authorized the present rates. (See Vol. 9, Opinions and Orders of the Railroad Commission, p. 261.) Other protestants in that proceeding took the position that the commission had jurisdiction.

Protestants did not seek a rehearing but acquiesced in the commission's decision. Pursuant to the authority contained in the decision applicant filed its present schedule of rates October 18, 1916, which have been in effect ever since that time and which all protestants and all other consumers have paid, and paid without protest, as shown by the undisputed testimony. Applicant has never limited its service to its stockholders but has always sold water to nonstockholders.

In *Franscioni vs. Soledad Land and Water Company*, 170 Cal. 221, the defendant, engaged in distributing water for irrigation for private use, applied under Statutes 1885, page 95, to the board of supervisors to fix its rates. This was done by ordinance establishing rates and rules, to which defendant conformed for six years.

Judge Shaw, writing the opinion of the court *en banc*, holds that by applying for regulation, defendant admitted that it was a public service corporation administering a public use, and that plaintiff and his grantor had acquiesced in the new rates and rules and in the change in the character of the use; and that the evidence of acquiescence supported the finding that defendant was supplying a public use. The judgment of the trial court to the same effect was affirmed.

In *Allen et al. vs. Railroad Commission*, 56 Cal. Dec. 326, relied upon by protestants, the Supreme Court says of the *Franscioni* case at page 333:

"Manifestly the applicant did not become a public utility merely by itself fixing the rates and charges for the water which it sold, nor could its submission to the jurisdiction of the Railroad Commission and its declaration that it was a public utility in the slightest affect the previously vested rights of these petitioners. Herein this case is broadly differentiated from that of *Franscioni vs. Soledad Land and Water Co.*, 170 Cal. 221. In the last-named case a private corporation had been delivering water for private use under contract. It petitioned the proper authority to fix the rates to be charged for this service. The landowners who had been receiving water under private contract acquiesced in this petition and the rates were fixed. These rates were acted upon by all the parties in interest without question or dissent."

It does not appear from an examination of the record in the *Franscioni* case that any consumers were among the "not less than 25 inhabitants who are taxpayers" who joined in the petition to the board to fix rates, as required by the statute of 1885; nor is it expressly alleged or found by the trial court that the rates authorized by the court were paid by consumers. It does not appear that they protested to the board or took steps to have different rates established, either then or at the end of the year or later, as they might have done under the statute.

In the case before us the protestants and consumers refrained from taking action against the rates after they had been authorized by the

commission either by petitioning for rehearing as to their reasonableness or appealing to the courts on the question of the commission's jurisdiction; but they actively acquiesced by receiving service, conforming with the rules and regulations established, and by paying without protest the rates fixed.

Long after the *Franseioni* case arose the Public Utilities Act and chapter 80, statutes of 1913, were adopted. These enactments provide that a water company which sells water, whether under contract or otherwise, to others than its stockholders or members at cost, is a public utility subject to the jurisdiction, control and regulation of the Railroad Commission.

Under the facts and the law set forth above, applicant is a public utility and the commission has jurisdiction in this proceeding. We therefore pass to a consideration of rates and the other points raised by protestants.

Under Application No. 994, by Decision No. 3134 of February 29, 1916, the commission authorized applicant to establish rates per miner's inch day continuous flow of 10 cents for water used between March 15 and June 15; 17½ cents for water used between June 15 and October 15, and 5 cents for water used during the remainder of the year; with a minimum charge of \$3.00 per year for each one-seventh of a miner's inch continuous flow.

It will be noticed that these rates were not less than those set forth in the certificates, as claimed by protestants as a reason for not protesting but constituted an increase in previous rates, as under Class "A" certificates the rate was but \$3.00 per acre per year; while under Class "B" certificates it was "at a rate not to exceed 15 cents for a run of 12,960 gallons for 24 hours" (defined therein as a miner's inch) with an annual charge of \$3.00 per acre per year, to be credited on water bills for the current year.

Applicant diverts surface water from the San Jacinto River, intercepts the subsurface flow by a series of timbered tunnels in a cienega adjacent to the river, and also pumps large quantities of water. The water is distributed by ditches and flumes and served for irrigation in and about San Jacinto. A considerable portion of the water is delivered at an elevation higher than the ditches, such service requiring extra pumping.

The estimated cost new of applicant's physical properties, including real estate, as used by the commission in said Decision No. 3134, was \$153,283.00. This has been corrected for betterments and retirements, bringing the total estimated cost new of applicant's physical properties now used and useful, to the total sum of \$190,481.00. Suitable sinking fund annuity for replacements is computed as \$2,135.00. It is unnecessary to discuss herein the claimed value of water rights, or the appraisal,

or whether certain other properties are used or useful; as the rate requested by applicant will probably not produce sufficient revenue to meet operating expenses, depreciation and return upon a rate base of \$190,481.00.

Applicant's annual operating expenses for 1917 and 1918 appear from its books to be \$8,269.05 and \$12,126.62 respectively. The year 1918 was admittedly an exceedingly dry year, necessitating an abnormally high pumping expense. There are included in the figures given a number of small repairs not apt to recur, which were incident to but not included in the earthquake damage hereafter referred to as represented by the sum of \$1,792.00. After eliminating the expense of operating the booster pump to serve higher levels, which is taken care of herein by a separate rate, the legitimate annual operating expense for 1918 is \$10,318.00. For the purpose of this proceeding the average annual operating expense is estimated at \$9,500.00.

Applicant expended large sums for extensive and unusual repairs necessitated by an extraordinary flood which occurred in the spring of 1916 and by earthquake damage in 1918. These extraordinary maintenance expenses should be distributed over a period of years intended to cover the period of their probable recurrence. However, there is but meager data available to indicate when either may be expected to recur, if ever. We use a 10-year period, which we consider equitable as between the utility and its consumers. The earthquake damage was \$1,792.00 and the flood damage \$14,462.00. We therefore add to the annual charges \$1,625.00, or 10 per cent of the total estimated cost of damages attributable to both causes.

At the time of hearing Application No. 994, on which Decision No. 3134 was rendered, approximately one-third of applicant's system was used and useful, about 1.322 acres being irrigated at that time. The commission therefore allowed a return on one-third the valuation of its system, which justified the rate requested and authorized. Some 5,000 acres are now being served and the system's present capacity is needed to care for fluctuations in demand and probable increases in business in the immediate future. A return should now be allowed upon the entire rate base representing the physical system now used and useful.

The annual charges to be produced by rates are therefore as follows:

Operating expenses	\$9,500 00
Amortization of extraordinary expense	1,625 00
Annuity for replacements	2,135 00
Return on \$190,481.00 at 8 per cent	15,238 00
Total	\$28,498 00

Applicant's gross revenue for the last three years was \$17,011.59 for 1916, \$16,453.57 for 1917 and \$19,796.83 for 1918. It is apparent that applicant must have additional revenue if it is to maintain its system

in condition to render the high-class service which the commission requires of utilities. It suggests the advantages to it and its patrons of stimulating a greater use of water for irrigation during the winter and spring seasons by low rates for such service; that occasional users of water should pay more than regular users; that the rates should be graduated monthly between March 15 and June 15, reaching their maximum in July and subsequent months of the irrigation season, and that extra pumping service should be covered by a higher rate. A rate varying monthly we believe would be found to be cumbersome and impracticable. The rate schedule found in the order is designed to produce the required revenue, and will meet the other suggestions. Under it the occasional user of water will pay a higher rate than the regular consumer. It also provides a higher rate for water pumped above the level of the ditches, which was shown to cost approximately 15 cents per miner's inch day additional.

As to the investment in the extension of the system to serve 1,000 acres additional required by the auxiliary land company referred to in the protest, the only testimony on the question shows that the land and water companies are separate with different stockholders. Increase in area served naturally tends to reduce the cost of service, so that rate-payers will not be injured by such extension.

In determining upon the rates found in the order we have given careful consideration to the cost of service by individual pumping plants and whether or not the applicant will probably suffer a loss in revenue through the development of private pumping plants incident to an increase in rates. It will be found that the cost of operating such plants when the elements of return on investment, depreciation, cost of power and labor are all taken into full account, will equal or exceed the cost to the consumer of service from applicant's system under the rates herein authorized. Finally protestants urge that as they advanced much of the capital invested in the system through the purchase of water certificates prior to the amendment of the constitution in 1911 and the adoption of the Public Utilities Act in 1912, providing for regulation and control by the Railroad Commission, the rates contracted for should not be increased and the investment so provided by certificate holders should not be included in the rate base. These and similar questions affecting such contracts have been before the commission on several occasions in which the decisions of the court have been exhaustively reviewed and the conclusion reached that no contract affecting the relationship between utilities and their patrons and affecting the public could prevent appropriate regulation by the commission; that a public service water company can not confer upon its consumers preferential rights to the use of its water; nor charge for a water right in addition to the established rates, as a condition precedent to service; but such

charges might be viewed as advances on account of rates. (See cases reviewed in the matter of *Murray and Fletcher*, Opinions and Orders of the Railroad Commission, Vol. 2, page 464 at 501; and Vol. 7, pages 334 and 373. Also *In re Sutter-Butte Canal Company*, Vol. 15, page 425 at 452.) However, there is no need here for a differential to avoid discrimination and procure uniformity in rates, because applicant's consumers were all originally served under water certificates or contracts. Water sold to occasional users who are noncertificate holders, will take the higher rate provided in the new schedule, so that they will not be favored.

ORDER.

Citizens Water Company of San Jacinto having applied for authority to increase rates for serving irrigation water in and about San Jacinto, Riverside County; public hearings having been held thereon and the matter being submitted and now ready for decision,

It is hereby found as a fact that the present rates charged by applicant are unreasonable and not compensatory, and that the rates hereinafter set forth are just and reasonable rates for such service.

Basing its order upon the above findings of fact and upon the other findings of fact contained in the opinion preceding this order,

It is hereby ordered that Citizens Water Company of San Jacinto be and it is hereby authorized and empowered to file within twenty days after the date hereof and thereafter to charge and collect for water served after March 14, 1919, the following schedule of rates:

Minimum: \$3.00 per acre per year, payable on or before March 15 of each year.

For water used between March 15 and June 15: 0 to 10 miner's inch days per acre, 21 cents per miner's inch day. Above 10 miner's inch days per acre, 18 cents per miner's inch day.

For water used between June 15 and October 15: 0 to 15 miner's inch days per acre, 29 cents per miner's inch day. Above 15 miner's inch days per acre, 22 cents per miner's inch day.

For all water used between October 15 and March 15: 10 cents per miner's inch day.

For all water furnished to lands above the level of the ditch, to which applicant pumps water, 15 cents per miner's inch day in addition to the rates hereinabove established.

A miner's inch day as used in this schedule means a continuous flow of 1/50 of a cubic foot per second for 24 hours of 12,960 gallons.

It is hereby further ordered that applicant file with said schedule of rates, for approval by the commission, its rules and regulations governing the service of water; providing therein among other things, how the minimum charge of \$3.00 per acre per year is to be applied.

Dated at San Francisco, California, this twenty-sixth day of June, 1919.

DECISION No. 6455.

IN THE MATTER OF THE APPLICATION OF PINOLE LIGHT AND POWER COMPANY, A CORPORATION, FOR AN ORDER ESTABLISHING RATES FOR ELECTRIC SERVICE.

Application No. 4506.

Decided June 26, 1919.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

Whereas Decision No. 6413 of this commission, issued under date of June 17, 1919, does not fix rates for street lighting service, to be charged and collected by Pinole Light and Power Company; and whereas, the following rates for such service rendered by Pinole Light and Power Company are found to be just and reasonable,

It is hereby ordered that Pinole Light and Power Company charge and collect the following schedule of rates for electric energy sold for street lighting service in the towns of Pinole and Rodeo and intervening territory:

SCHEDULE No. 4.

Territory: *Street Lighting Service.*

Applicable to entire territory served by company.

Rate:

32-candlepower lamps, \$1.35 per lamp per month.
60-candlepower lamps, 1.75 per lamp per month.
80-candlepower lamps, 2.00 per lamp per month.
1,000-candlepower lamps, 6.00 per lamp per month.

Minimum charge:

The minimum charge for any one installation shall be \$15.00 per month.

Special conditions:

- (1) The type of lamps used are Type C Mazda lamps with reflector only, except for lamps of 1,000 candlepower which are supplied with reflector and refractor.
- (2) This schedule is applicable to all street, highway and other outdoor lighting supplied from overhead lines, and includes the installation, maintenance and operation and lamp renewals necessary for such service.
- (3) The above rates are applicable to lamps burning on all night and every night schedule, approximating 4,000 times per year.

It is hereby further ordered that the rates herein established shall become effective for all service rendered on and after July 1, 1919.

Provided that Pinole Light and Power Company shall within ten days from the date of this order file with the Railroad Commission of the state of California the schedule of rates herein established.

Dated at San Francisco, California, this twenty-sixth day of June, 1919.

DECISION No. 6456.

CHARLES M. PATTEN

vs.

HERBERT F. BROWN, EAST BAY WATER COMPANY, HERCULES
POWDER COMPANY.

Case No. 1229.

Decided June 26, 1919.

Water service of Defendant Brown having been improved so that at the present time it is adequate and satisfactory, complaint dismissed.

Charles M. Patten, in propria persona.

F. A. Mero, for Herbert F. Brown.

McKee & Tashcira, by A. G. Tashcira, for East Bay Water Company.

Pillsbury, Madison & Sutro, by C. C. Sullivan and Warren H. McBryde, for Hercules Powder Company.

BY THE COMMISSION.

OPINION.

The complaint alleges that Defendant Brown does not supply sufficient water; that the water served is contaminated and impure, and prays that water supply be furnished by East Bay Water Company or Hercules Powder Company, each of which is alleged to have water mains in the immediate vicinity of Defendant Brown's system, of which complainant is a consumer. Complaint is also made that the flat rate of \$1.50 per month charged for domestic water service is exorbitant for the service rendered.

The answer of Defendant Brown denies substantially all of the allegations of the complaint, as does the answer of Hercules Powder Company. The answer of East Bay Water Company alleges that it has no mains in the vicinity of Defendant Brown's system; that the cost of installing and maintaining pipes for said service would be out of proportion to any revenue which could be expected from such service for many years to come, and that its water and facilities are needed for serving its patrons in the territory it now serves in Richmond, Berkeley and Oakland, etc. It developed that Hercules Water Company was intended as a defendant instead of Hercules Powder Company.

A hearing was held by Examiner Westover at Richmond December 26, 1918. Final decision has been held awaiting completion of arrangements for permanently improved service.

It appeared from the testimony that the Western States Porcelain Company had recently installed some 3,200 feet of 1½-inch pipe and thereby connected its plant with the mains of the East Bay Water Com-

pany. Subsequently Mr. Brown, in consideration of \$500.00, received written authority to connect his distributing system with the porcelain company's pipe and use it until discontinued by order of East Bay Water Company. His consumers, of whom there were about twenty, were then served with water procured from the system of East Bay Water Company through a connection at a point between the East Bay mains and the porcelain plant. All such water was charged to the porcelain company and paid for by it, defendant paying the porcelain works for his proportion of water so furnished by East Bay Water Company.

The latter company expressed itself as willing to continue the service under the above conditions or direct to Defendant Brown, so long as the demands upon it for water were moderate (as they had been since the physical connection was established), and it had water, but it did not wish to be called upon to serve individuals in a district lying so far from its mains. Complainant admitted that service at the time of hearing was excellent. He expressed fear, however, that good service might not continue because the arrangement for physical connection might prove temporary.

Since the hearing The Richmond Company, the water utility operated by Defendant Brown, has, through the co-operation of the commission's engineers, arranged for a direct supply from the mains of defendant East Bay Water Company and has laid a 1-inch pipe line a distance of about 900 feet, connecting its tank with said mains in such manner that a continuous and ample supply of pure water with good circulation is assured. Former service through the line of the porcelain plant has been discontinued.

The question of rates will be covered by separate opinion upon application of The Richmond Company to establish rates.

ORDER.

The above-entitled case being at issue and a public hearing having been held thereon, and it appearing from the testimony that the complaint has been wholly satisfied since it was filed, in the manner described in the opinion preceding this order,

It is hereby ordered that the complaint be and it is hereby dismissed.

Dated at San Francisco, California, this twenty-sixth day of June, 1919.

DECISION No. 6457.

IN THE MATTER OF THE REORGANIZATION OF OAKLAND AND ANTIOCH RAILWAY, OAKLAND, ANTIOCH AND EASTERN RAILWAY AND SAN RAMON VALLEY RAILROAD.

Application No. 4555.

Decided June 26, 1919.

SECURITY ISSUES—RELATION TO PHYSICAL VALUE OF PROPERTIES.—An electric railway which has shown an investment of \$6,500,000.00 in its properties, the value of which can reasonably be assumed to have depreciated, is not permitted to issue securities in excess of approximately \$7,200,000.00 in connection with its plans for reorganization.

REORGANIZATION—DISTRIBUTION OF SECURITIES AUTHORIZED.—The manner and detail of distribution of securities authorized to be issued by a reorganized utility is a matter to be determined by the reorganization committee and not by the commission, the latter being primarily interested only in the total amount issued and in that it bears a proper relation to the value of the properties.

REORGANIZATION EXPENSES—AMORTIZATION OF.—An order authorizing the issue of securities by a reorganized utility is conditioned upon the filing of a stipulation that the reorganization expenses will be entirely amortized out of income in such manner and at such times as approved by the commission.

Transfer of properties of applicants to a company to be hereafter formed authorized and preliminary order made authorizing the issue of not to exceed \$7,180,000.00 face value of securities in connection with reorganization plans.

Jesse H. Steinhart, for Applicant.

EDGERTON, *Commissioner*.

OPINION.

The Railroad Commission is asked to make an order permitting a new corporation to issue bonds and stock to carry out the reorganization plan attached to the petition herein and marked Exhibit "A."

The reorganization plan covers Oakland, Antioch and Eastern Railway, Oakland and Antioch Railway and San Ramon Valley Railroad. The record shows that Oakland, Antioch and Eastern Railway owns practically all of the outstanding stock of San Ramon Valley Railroad and all of the outstanding stock of Oakland and Antioch Railway except \$28,700.00. The capitalization of the three companies, excluding inter-company stock ownership, is reported as follows:

Oakland and Antioch Railway 5 per cent bonds held in ownership	\$2,000,000 00
Oakland, Antioch and Eastern 5 per cent bonds held in ownership	2,515,000 00
San Ramon Valley 6 per cent bonds held in ownership	100,000 00
Oakland, Antioch and Eastern Railway 5 per cent bonds held as collateral	1,823,000 00
Oakland, Antioch and Eastern Railway stock outstanding	8,682,600 00
Oakland and Antioch Railway stock outstanding and not held by Oakland, Antioch and Eastern Railway	28,700 00
Total stock and bonds	\$15,155,300 00

The \$1,829,000.00 of Oakland, Antioch and Eastern Railway bonds held as collateral have been deposited to secure the following indebtedness:

(a)	\$490,000.00 of bonds pledged to secure gold notes in the amount of	\$294,000.00
(b)	199,000.00 of bonds pledged to secure stockholders' loans in the amount of	155,429.00
(c)	1,140,000.00 of bonds pledged as collateral to secure notes in the amount of	633,403.00
	\$1,829,000.00	\$1,082,832.00

Applicants in Exhibit No. "5" report the assets and liabilities of Oakland, Antioch and Eastern Railway and subsidiary companies as of March 31, 1919, as follows:

<i>Asset Accounts.</i>		
Capital assets		\$20,215,546.75
Oakland and Antioch Railway stock investment	\$7,000,000.00	
San Ramon Valley Railway stock	242,600.00	
Acquisition of rights of way	6,500,000.00	
Expenditures for construction	6,502,946.75	
Investment in United States refunding certificates		60,000.00
Current assets		275,157.53
Cash in bank and on hand	\$94,652.22	
Notes receivable	12,157.14	
Accounts receivable	75,942.79	
Materials and supplies	92,405.38	
Unadjusted debits		36,432.44
Deferred assets		360.00
Deferred charges to profit and loss		749,305.33
Bond discount, commissions, etc.	\$737,131.69	
Unexpired insurance	2,345.26	
Tax liability	9,828.38	
Deficit		\$85,532.55
Total asset accounts		\$22,252,334.60
<i>Liability Accounts.</i>		
Stock		\$10,000,000.00
Oakland, Antioch and Eastern Railway stock outstanding	\$8,682,600.00	
Forfeited for nonpayment of assessment	1,260,000.00	
Stock liability for conversion	57,400.00	
Oakland and Antioch Railway stock		3,500,000.00
San Ramon Valley leasehold privileges		242,600.00
Assessment on capital stock		1,215,120.00
Bonds sold and outstanding		4,615,000.00
Four-year convertible gold notes		294,000.00
Stockholders' loans		158,429.00
Miscellaneous long-term notes		35,500.00
Current liabilities		2,092,405.19
Notes payable	\$733,113.55	
Accounts payable	265,704.82	
Funded debt, interest matured and unpaid	1,039,500.00	
Accrued interest on funded and unfunded debt	53,143.87	
Other deferred liabilities	642.95	
Accrued depreciation (equipment)		85,899.26
Unadjusted credits		13,681.15
Total liability accounts		\$22,252,334.60

The testimony herein shows that there has been approximately \$6,500,000.00 expended to pay for the construction and acquisition of the properties owned by Oakland, Antioch and Eastern Railway, Oakland and Antioch Railway and San Ramon Valley Railroad.

The properties of the Oakland and Antioch Railway and San Ramon Valley Railroad are operated under lease by Oakland, Antioch and Eastern Railway.

For the three years ending December 31, 1918, Oakland, Antioch and Eastern Railway has reported revenues and expenses as follows:

Item	1918	1917	1916
Operating revenues -----	\$879,766 36	\$746,834 76	\$620,315 59
Operating expenses -----	591,772 88	506,677 48	437,297 25
Net operating revenues -----	\$287,993 48	\$239,157 28	\$183,018 34
Less taxes -----	36,375 00	22,400 00	20,364 10
Operating income -----	\$251,618 48	\$206,757 28	\$152,654 24
Add other income -----	2,029 71	1,277 45	822 39
Gross corporate income -----	\$253,648 19	\$208,034 73	\$153,476 63
Deductions:			
Rent for leased roads -----	\$106,323 38	\$106,047 87	\$106,621 59
Interest on funded debt -----	129,000 35	173,748 01	173,836 17
Interest on unfunded debt -----	50,091 36	56,994 70	63,951 89
Miscellaneous -----	2,394 30	21,233 92	19,298 36
Total deductions -----	\$287,809 39	\$358,024 50	\$363,708 01
Loss for year -----	\$34,161 20	\$149,989 77	\$210,231 38

The earnings of the Oakland, Antioch and Eastern Railway have during the past not been adequate to pay operating expenses, taxes, interest on its indebtedness and rental for the use of the properties of Oakland and Antioch Railway and San Ramon Valley Railroad. The Railroad Commission has at various times had occasion to review the financial condition of Oakland, Antioch and Eastern Railway. In Decision No. 2913, dated November 20, 1915 (Vol. 8, Opinions and Orders of the Railroad Commission of California, p. 452), the Railroad Commission directed Oakland, Antioch and Eastern Railway to report a plan for the readjustment of its finances to meet its maturing obligations and to place it upon a permanent basis to meet its financial necessities.

A plan for the complete refinancing of the properties owned and operated by Oakland, Antioch and Eastern Railway is attached to the petition herein. The plan in general provides for the organization of a new company, which is to acquire all of the properties owned by Oakland, Antioch and Eastern Railway, Oakland and Antioch Railway

and San Ramon Valley Railroad. The new company is to have an authorized stock issue of \$5,500,000.00, divided into \$4,000,000.00 of common and \$1,500,000.00 of preferred. It is also to have an authorized bond issue of \$3,000,000.00. The bonds are to have a life of twenty years and bear interest at the rate of $5\frac{1}{2}$ or 6 per cent per annum as may be hereafter determined. The plan is drawn up on the theory that the Oakland, Antioch and Eastern Railway bonds held as collateral will be reduced to ownership. It provides only for the refunding of the indebtedness of the three companies and has been presumably prepared upon the assumption that the indebtedness is in excess of the value of the properties. It recognized no stockholders' equity in the properties. For every \$1,000.00 of Oakland, Antioch and Eastern Railway, or Oakland and Antioch Railway, or San Ramon Valley Railroad bond outstanding and deposited under the reorganization plan, the new company will issue \$200.00 of its bonds, \$200.00 of its first preferred stock and \$600.00 of common stock. Unsecured creditors of the existing companies, whose claims are valid and approved by the bondholders' committee, are to cancel their claims and receive common stock remaining in the treasury after the common stock distribution has been made to bondholders and secured creditors as provided for in the plan; provided, however, that no unsecured creditor is to receive an amount of stock greater in par value than the face value of the debt due him.

Creditors who have a first and direct lien on the mortgaged property, which are valid and enforceable at law, and approved by the bondholders' committee, are to be paid in cash. First lien creditors include those who have purchase price mortgages on terminals, valid existing and enforceable equipment liens and claims for current supplies and materials furnished within a period of six months prior to the date of reorganization, or such earlier date as may be fixed by the committee. In revised Exhibit "5" the indebtedness to be paid in cash is reported at \$271,354.73.

The record shows that at the time of the hearing on this application, the holders of about 92 per cent of the obligations of Oakland, Antioch and Eastern Railway, Oakland and Antioch Railway and San Ramon Valley Railroad had approved the reorganization plan and deposited or agreed to deposit the bonds or notes held by them. Assuming that no additional securities are deposited, the new company would issue bonds and stock, according to Exhibit "4" as follows:

Common stock	\$4,000,000 00
Preferred stock	1,161,300 00
Bonds	1,950,000 00
For refunding	\$1,161,300 00
For sale purposes	788,700 00
Total	\$7,111,300 00

03-41481

The new company intends to sell \$788,700.00 of bonds, or such an amount of bonds as may be equal to the difference between the \$1,950,000.00 of bonds referred to above and the amount of bonds which will have to be issued to refund outstanding bonds, and use the proceeds obtained from the sale of such bonds to pay first lien creditors, pay nonconsenting bondholders, pay reorganization expenses, pay for improvements and provide for working capital. If additional obligations are deposited, the amount of bonds and stock issued for refunding purposes will be changed proportionately.

The suggestion has been made by certain security holders that the new company issue additional common stock in an amount equal to the assessment paid by the stockholders and the matured unpaid interest coupons attached to bonds held in ownership. To carry out the suggestion would call for the issue of about \$6,000,000.00 instead of \$4,000,000.00 of common stock. The total capitalization of the new company, assuming that only 92 per cent of the obligations of the existing companies will be deposited, would be increased from \$7,111,300.00 to about \$9,111,300.00. As said, the testimony shows that approximately \$6,500,000.00 has been invested in the properties. No doubt the properties have to some extent depreciated. No showing was made that the appreciation in land values offsets the depreciation which has occurred in the depreciable property. A stock and bond issue of \$9,111,300.00, as suggested by some of the creditors, appears excessive. In reorganizations of this nature, the commission has heretofore taken the position that the capitalization of a new company should bear a reasonable relation to the value of the properties and that the fixed charges should be well within the earnings of the properties. There appears no valid reason why the commission should depart from such position in this case. In my opinion, the new company should not issue more than \$1,950,000.00 of bonds, at least \$620,000.00 of bonds to be sold for cash, \$1,330,000.00 of preferred stock and \$4,000,000.00 of common stock, as provided for in the reorganization plan. The distribution of such stock and bonds is a matter for the creditors to determine rather than the commission, which is concerned primarily with the total amount of stock and bonds issued by the new company.

The reorganization plan, which the commission is asked to approve, reduces the annual fixed charges of the properties from \$285,000.00 to \$117,000.00 per annum; the bonded debt from \$6,444,000.00 to \$1,950,000.00, and the capital stock from \$8,711,300.00 to at least \$5,330,000.00. The bondholders retain the full benefit of all of the security which they hold after providing only for such creditors as hold a lien prior to their lien, and through becoming stockholders they secure the benefits of all increased earnings as they accrue. Provision is also

made in the plan for financing the cost of future additions and betterments.

No receiver has ever been appointed by the courts to take possession of either the properties of Oakland, Antioch and Eastern Railway, or Oakland and Antioch Railway or San Ramon Valley Railroad. It is the intention of the reorganization committee to apply to the courts for a decree foreclosing the mortgages securing the payment of the bonds issued by the various corporations mentioned. Until such decree is rendered, it is impossible to state definitely how much of the proceeds obtained from the sale of the bonds by the new company will have to be expended to pay for the claims of non-consenting bondholders.

The commission can at this time, in this proceeding, issue only a preliminary order indicating the maximum amount of stock and bonds which the new company may issue. Before a final order can be made, there must be filed with the commission a statement showing the purposes for which the new company intends to expend the proceeds obtained from the sale of its bonds, a detailed statement of reorganization expenses, a copy of the proposed mortgage, a description of the properties which the new corporation intends to acquire, together with a statement showing the amount of money received by the new corporation as a result of the foreclosure sale. The order herein will also require that there be filed with the commission a stipulation relating to the amortization of the reorganization expenses out of income.

I herewith submit the following form of order:

ORDER.

Application having been made to the Railroad Commission for an order authorizing the sale and transfer of the properties of Oakland, Antioch and Eastern Railway, Oakland and Antioch Railway and San Ramon Valley Railroad and for an order authorizing the issue of stock and bonds, a public hearing having been held.

It is hereby ordered that Oakland, Antioch and Eastern Railway, Oakland and Antioch Railway and San Ramon Valley Railroad be and they are hereby authorized to sell all of their properties directly or indirectly to a corporation to be hereafter organized, such sale being made for the purpose of carrying out the reorganization plan attached to the petition herein and marked Exhibit "A," and said corporation when organized is hereby authorized to acquire said properties and to issue in payment therefor and for such other purposes as the Railroad Commission may authorize, not exceeding \$1,950,000.00 of first mortgage bonds bearing interest at not more than 6 per cent per annum and not exceeding \$1,330,000.00 of 6 per cent preferred stock and \$4,000,000.00 of common stock;

Provided, that this order shall not become effective until a supplemental order shall have been made by the Railroad Commission after there has been presented to the commission the articles of incorporation and trust deed or mortgage of the corporation to be hereafter organized to acquire said properties, a complete description of the properties, a detailed statement of the reorganization expenses, a statement showing the purposes for which the new corporation intends to expend the proceeds obtained from the sale of its bonds, together with a statement showing the amount of money received by the new corporation as a result of the foreclosure sale; and

Provided, further, that none of the bonds herein authorized shall be sold until the Railroad Commission has made a supplemental order herein defining the terms and conditions under which such bonds may be sold and the purposes for which the proceeds may be expended; and

Provided, further, that this order shall not become effective until there has been filed by a person or persons properly authorized a stipulation to be approved by the commission, to the effect that the reorganization expenses will, at such time, in such amounts and in such manner as the Railroad Commission may order, be amortized out of income.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this twenty-sixth day of June, 1919.

DECISION No. 6462.

IN THE MATTER OF THE APPLICATION OF THE WESTERN STATES
GAS AND ELECTRIC COMPANY FOR AUTHORITY TO INCREASE
ITS ELECTRIC RATES IN HUMBOLDT AND TRINITY COUNTIES.

Application No. 3947.

Decided June 26, 1919.

Present conditions justifying a retention of the present revenue received by respondent under a basic rate plus a surcharge, which return amounted to only 3.9 per cent on the historical cost of properties for 1918 and if retained will approximate 5.2 per cent for 1919, the surcharge is discontinued and a higher basic rate established to become effective for all meter readings made on and after July 20, 1919.

Chickering & Gregory, by Eran Williams, for Defendant.

J. J. Cairns, for city of Eureka.

G. H. Burchard, for city of Arcata.

BY THE COMMISSION.

OPINION ON ORDER TO SHOW CAUSE.

A further and supplemental investigation in the above-entitled proceeding was initiated on the commission's own motion ordering the

company to show cause why the surcharge for electric service authorized in this commission's Decision No. 5770 in the above-entitled matter, dated September 18, 1918, should not be reduced.

A public hearing upon this order to show cause was held in Eureka March 20, 1919, before Examiner Bancroft.

The commission in its Decision No. 3852, issued November 6, 1916, (Opinions and Orders of the Railroad Commission of the State of California, Volume 11, page 891, in connection with Application No. 1998, and Case No. 906) revised the rates of the company on the then operating conditions. The rates thus fixed did not grant an 8 per cent return on the investment, and were not intended to do so, owing to conditions existing. They did, however, afford the company relief from an unfortunate condition inherited with the properties, resulting in inequalities and discriminations but which were beyond the control of the company.

The commission established rates for all classes of service, but the company, owing to threatened competition, did not adhere to the lighting rate so granted, in so far as the incorporated territory of Eureka was concerned.

The commission also in its opinion in Decision No. 3852 recommended that an interconnection be made with the transmission system of the Northern California Power Company as a means of reducing the operating expense. This recommendation was accepted by the company and a tie line constructed at a cost of approximately \$100,000.00. An advantageous contract was secured under which the Northern California Power Company supplied energy to applicant at a rate of 6 mills per kilowatt hour.

Applicant commenced purchasing power under this agreement in the fall of 1917. Owing to shortage of hydro power and war needs in 1918, Power Administrator H. G. Butler on July 20, 1918, ordered the delivery of power by the Northern California Power Company suspended, and applicant's steam plant in Eureka put into operation. This order in a slightly modified form continued in force until October 3, 1918. In consequence of this order applicant's operating costs were increased, due to the high cost of fuel oil. Further increases in operating expense had occurred, due to the general increases in cost of labor and supplies entering into the operation of the system.

In July, 1918, the company, through Application No. 3947, requested the commission to grant temporary relief by increasing its rates for electric energy in order to take care of this increased charge which applicant was compelled to meet in its operation. Applicant's request was limited to sufficient increase to cover additional operating expenses, as it realized that it could not expect to increase its net return during the war.

In Decision No. 5770 *supra*, the commission re-established the lighting rate as granted in Decision No. 3852, also made certain changes in the power schedules, and in addition granted certain surcharges, which were calculated to meet the increased cost of operation. Applicant at the time expressed its intention to remove the surcharge at such a time as operating expenses should again become normal, provided that the earnings would not be jeopardized by such removal.

At the hearing on the order to show cause, evidence was introduced by Western States Gas and Electric Company regarding its revenues, operating expenses and net returns during the period in which the surcharge was applicable and the estimates of conditions for the year 1919. Table No. 1 herein sets forth a statement of the actual earnings and expenses for the year 1918, during which period the surcharge was applicable for approximately four months, together with an estimate by applicant of the probable revenues and expenses for the year 1919 if the rates and surcharge now in effect were continued for the entire year.

TABLE I.

Comparison of the Actual Results Obtained in 1918 and Forecast for 1919.

	Actual, 1918	Forecast, 1919
Gross earnings from basic rates.....	\$215,791 00	\$206,123 00
Surcharges	13,209 00	35,926 00
Total gross earnings.....	\$229,865 00	\$242,049 00
Total operating expenses.....	137,939 24	139,256 00
Net operating revenue.....	\$91,925 76	\$102,793 00
Operating expenses:		
Net hydro and steam production.....	\$49,461 94	\$47,254 00
Transmission expense	13,625 74	11,990 00
Distribution expense	23,640 61	27,670 00
Commercial expense	7,987 26	8,755 00
General and miscellaneous expense.....	43,223 69	43,587 00
Total operating expense.....	\$137,939 24	\$139,256 00

From the evidence introduced it appears that there has been a slight reduction in the cost of producing electric energy due to the fact that during the year 1919 the operation of the steam plant under the power administrator will in all probability be not required; also that there will be some additional hydroelectric power available due to greater precipitation. A condition slightly offsetting this reduction in expense is the increase of 10 per cent in the cost of energy purchased from Northern California Power Company. A large part of the increase which

made necessary the surcharge is the cost of labor, which not only failed to decrease but shows a tendency to further increase for the year 1919. There has been a slight reduction in cost of materials and supplies, but not sufficient to result in a material change in the cost of operation.

The cessation of the war is resulting in a reduction of the business of Western States Gas and Electric Company due to the closing down or curtailment of certain industries which were operating on war demands.

During the year 1918 the net rate of return upon the historical cost of the property was only 3.9 per cent. It is estimated that if the present surcharge be continued for the entire year 1919 the return would be approximately 5.2 per cent. This rate of return is slightly in excess of the average rate of return earned by applicant's Eureka Division during prewar conditions. Although this is a low return, present conditions under which applicant is operating are such that a greater return can not be expected.

There does not appear to be any prospect of a material reduction in the cost of operations in the near future, and accordingly we are of the opinion that new rates should be established, in lieu of the present combination of basic rates and surcharges. This does not mean that the fixing of a total rate, excluding the surcharge, will prevent a modification in case conditions change.

The rates set forth in the order herein are a modification of the existing rates, being approximately equivalent to the rates now in effect plus a one cent (1¢) surcharge for lighting and 2 to 5 mill surcharge for general power, which will result in a slight reduction to consumers.

The Valdor Dredging Company, located near the hydroelectric plant of applicant, has been served under a special contract rate of seven-eighths of one cent per kilowatt hour plus a surcharge of one mill per kilowatt hour. The rate herein established is 9.75 mills per kilowatt hour.

The rate for power to the Humboldt Transit Company has been 1.25 cents per kilowatt hour plus 2 mills surcharge. The rate herein established for this service is 1.35 cents per kilowatt hour.

Table II herein sets forth the estimated revenue, expense, net revenue and rate of return on the Western States Gas and Electric Company's Eureka properties for the year 1919 with the present basic rates, these rates plus the surcharge, and with the proposed rates herein determined to be just and reasonable.

TABLE II.

Estimated Rate of Return for 1919.

	1919, present rates without surcharges	1919, present rates with surcharges	1919, proposed rates
Gross receipts	\$216,725	\$252,651	\$239,283
Operating expense	139,256	139,256	139,256
Net from operation	\$77,469	\$113,395	\$100,027
Depreciation	26,451	36,451	36,451
Balance for return on investment	\$41,018	\$76,944	\$63,576
Investment	\$1,481,256	\$1,481,256	\$1,481,256
Rate of return	2.77%	5.19%	4.29%

ORDER.

The commission having instituted on its own motion an investigation into the reasonableness of the rates and surcharges established by this commission in its Decision No. 5770 in Application No. 3947 of Western States Gas and Electric Company, a public hearing having been held and the matter being ready for decision, the commission hereby finds as a fact that the rates and charges of Western States Gas and Electric Company heretofore established are not, under present conditions, just and reasonable, and that the rates and charges herein established are just and reasonable.

Basing its order on the foregoing finding of fact and on the further findings of fact contained in the opinion which precedes this order,

It is hereby ordered that all of the basic rates and surcharges for electric service of applicant, now effective in its Eureka Division, be superseded, as of July 20, 1919, by the rates hereinafter authorized.

It is hereby further ordered that Western States Gas and Electric Company be and the same is hereby ordered to charge and collect for all electric service rendered, based upon meter readings taken on and after the twentieth day of July, 1919, the following rates, applicable to the respective classes of service specified therein.

*Lighting service.***SCHEDULE No. 1.**

Applicable to domestic and commercial lighting service.

Territory.

Eureka division.

Rate.

	Rate per kilowatt hour	
	Gross	Net
	Cents	Cents
First 50 kilowatt hours per meter per month.....	11	10
Next 50 kilowatt hours per meter per month.....	10	9
Next 400 kilowatt hours per meter per month.....		7.5
Next 500 kilowatt hours per meter per month.....		6.0
All over 1,000 kilowatt hours per meter per month.....		4.5

Minimum charge.

Minimum charge per meter per month, \$1.20 gross, \$1.10 net.

Special conditions.

The net rate is effective when bill for electric service is paid within 10 days of date of presentation, otherwise the gross rate is effective.

SCHEDULE No. 2.*Heating and cooking service.**Territory.*

Eureka division.

Rate.

- * First 150 kilowatt hours per meter per month, 3.5 cents per kilowatt hour.
- All over 150 kilowatt hours per meter per month, 2 cents per kilowatt hour.

Minimum charge.

- First 7 kilowatts or less of active connected load per month, \$3.00.
- All over 7 kilowatts of active connected load per month, \$1.00 per kilowatt.

Special conditions.

- (1) The consumer's wiring for electric heating and cooking service must be separate and distinct from that supplying other service, and no lighting, power, etc., will be permitted under this service, except indicating or pilot lights used in connection with heating and cooking appliances.
- (2) This schedule is not intended to cover auxiliary cooking and heating devices, such as percolators, toasters, chafing dishes, heaters, etc., but said auxiliary devices may be attached to a circuit supplying an approved electric range if consumer has one; otherwise said auxiliary devices must be supplied from regular lighting circuit.
- (3) A single 110-volt appliance not in excess of 2-kilowatt capacity must be wired for 2-wire, 110-volt service. Installations of 110-volt appliances exceeding a combined connected load of more than 2 kilowatts must be wired for 3-wire, 220-volt service and balanced as nearly as possible on each side of neutral conductor, the unbalancing in any event not to exceed 1,800 watts. Installations of straight 220-volt appliances must be wired for 220-volt, 2-wire service.

*Sign lighting.***SCHEDULE No. 3.**

Applicable to sign lighting service controlled by the company.

Territory.

Eureka division.

Rate.

7 cents per kilowatt hour.

Minimum charge.

\$1.10 per meter per month.

SCHEDULE No. 4.*General power schedule.*

Applicable to general power service and to service to tailor shops, laundries, etc., where electric irons are used commercially.

Territory.

Eureka division.

Rate.

(a) For connected loads of less than 5 horsepower:

First 100 kilowatt hours per month.....	6 cents per kilowatt hour
Next 200 kilowatt hours per month.....	4 cents per kilowatt hour
Next 200 kilowatt hours per month.....	3 cents per kilowatt hour
All over 500 kilowatt hours per month.....	2 cents per kilowatt hour

(b)

Consumption per horsepower per month	Rate per kilowatt hour for connected load of—			
	5 h.p. to 19 h.p.	20 h.p. to 39 h.p.	40 h.p. to 74 h.p.	75 h.p. to over
First 50 kilowatt hours.....	Cents 5	Cents 4½	Cents 4	Cents 3½
Next 50 kilowatt hours.....	3	2½	2½	2½
Next 100 kilowatt hours.....	2	2	2	2
All over 200 kilowatt hours.....	1½	1½	1½	1½

Minimum charge.

Applicable to rate (a) and (b).

\$1.00 per horsepower of connected load per month but not less than \$1.50 per month.

Special conditions.

(1) Any installation may obtain the rate for larger size installation by guaranteeing the minimum and rates under the larger installation.

SCHEDULE No. 5.*Optional power service.**Territory.*

Eureka division.

Rate.

(a) *Service charge.*

\$1.00 per horsepower of connected load but not less than \$5.00 per month.

(b) Energy charge.

First 100 kilowatt hours per month . . . 3 cents per kilowatt hour
 Next 1,000 kilowatt hour per month . . . 2.3 cents per kilowatt hour
 Next 18,000 kilowatt hours per month . . . 1.6 cents per kilowatt hour
 All over 20,000 kilowatt hours per month 1.4 cents per kilowatt hour

Special conditions.

- (1) The total charge is the sum of the service charge and the energy charge.

SCHEDULE NO. 6.

Optional power schedule.

Applicable to installation of two or more motors and supplied with maximum demand meter.

Territory.

Eureka division.

Rate.

Rates applicable to this schedule are those as given under schedules Nos. 4 and 5, but with a minimum charge or service charge of \$1.00 per horsepower of maximum demand, but in no case less than \$5.00 per month, providing the installation shall consist of two or more pieces of power equipment.

Special conditions.

- (1) Maximum demand as herein referred to is the highest average load measured in horsepower, determined for a period of 15 minutes in any month during a 12-month period ending with that for which bill is rendered.
- (2) Maximum demand meter to be installed and maintained by the company at the request of the consumer.
- A rental charge of \$7.50 per year to be paid by the consumer for use of each maximum demand meter.

SCHEDULE NO. 7.

*Municipal street lighting.**Territory.*

Applicable within the city of Eureka.

Rate.

First 200 ares per month \$5.25 per light
 All over 200 ares per month 5.00 per light

Special conditions.

- (1) Above rate refers to the magnetite type of arc lamp requiring approximately 4 amperes at 90 volts direct current, or, to 600 candlepower series incandescent lamps supplied and maintained by the company.
- (2) Deductions shall at all times be made for all times during which said lights, or any of them, shall fail to burn, in the proportion that the time said lights actually burn bears to the time they should have burned during the month.
- (3) All lights will be kept burning by the power company all night and every night, except during the hours of clear moonlight.

SCHEDULE NO. 8.

*Municipal street lighting service.**Territory.*

Applicable in town of Arcata.

Rate.

\$1.35 per month for each 60-candlepower lamp.

Minimum charge.

\$125.00 per month.

Special condition.

All lamps to be kept burning by the power company all night and every night, except during the hours of clear moonlight and will maintain and replace lamps at its expense.

SCHEDULE No. 9.

*Municipal street lighting service.**Territory.*

Applicable in towns of Fortuna, Ferndale, Bluelake and Loleta.

Rate.

6.5 cents per kilowatt hour.

Minimum charge.

No minimum charge.

Special conditions.

- (1) Street lamps to be of 75-watt Mazda type.
- (2) Lamps to be installed and maintained at expense of the respective towns.

It is hereby further ordered that Western States Gas and Electric Company be authorized to charge and collect for electric energy supplied Valdor Dredging Company a rate of 9.75 mills per kilowatt hour, based on all meter readings taken on and after July 20, 1919.

It is hereby further ordered that Western States Gas and Electric Company be authorized to charge and collect for electric energy supplied Humboldt Transit Company a rate of 1.35 cents per kilowatt hour, based on all meter readings taken on and after July 20, 1919.

It is hereby further ordered that Western States Gas and Electric Company file with the Railroad Commission on or before June 30, 1919, the rates herein established.

It is hereby further ordered that this commission's Decisions Nos. 5770 and 5922, dated September 18, 1918, and November 15, 1918, respectively, be and the same are hereby modified in so far as they may conflict with any portion of the present order; in all other respects they shall remain in full force and effect.

Dated at San Francisco, California, this twenty-sixth day of June, 1919.

DECISION No. 6463.

IN THE MATTER OF THE APPLICATION OF GREAT WESTERN POWER COMPANY OF CALIFORNIA, GREAT WESTERN POWER COMPANY, CITY ELECTRIC COMPANY AND CONSOLIDATED ELECTRIC COMPANY FOR AN ORDER AUTHORIZING THE TRANSFER OF PROPERTIES, THE EXECUTION OF A MORTGAGE, THE ISSUE OF BONDS AND STOCK AND THE APPROVAL OF A FINANCIAL PLAN.

Application No. 4395.

Decided June 30, 1919.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

The Railroad Commission having by Decision No. 6294, dated April 26, 1919, authorized Great Western Power Company of California to issue \$6,000,000.00 of bonds, subject, among others, to the condition that no bonds be issued until the commission had, by supplemental order, approved the proposed mortgage of Great Western Power Company of California nor until the commission had been furnished with copies of the proposed instruments of conveyance; and Great Western Power Company of California having filed for approval a copy of its proposed mortgage—which for the purpose of identification will be referred to as “Proof of June 18, 1919, as modified by letter of June 26, 1919,” and having filed the several instruments of conveyance, referred to by the commission in Decision No. 6294; and it appearing that it is not necessary for the commission to approve the instruments of conveyance; that by such instruments of conveyance all the properties of Great Western Power Company, City Electric Company and Consolidated Electric Company will be transferred to Great Western Power Company of California; that Great Western Power Company of California will assume all of the debts and obligations of Great Western Power Company, City Electric Company and Consolidated Electric Company; that the proposed mortgage of Great Western Power Company of California covers all the properties which the company now owns, as well as the properties which it may hereafter acquire, and that applicant should be authorized to execute a mortgage substantially in the same form as the mortgage referred to; now, therefore,

It is hereby ordered that Great Western Power Company of California be and it is hereby granted authority to execute a mortgage substantially in the same form as the mortgage filed on June 26, 1919, in the above-entitled matter and marked for the purpose of identification “Proof of June 18, 1919, as modified by letter of June 26, 1919”;

Provided that the approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject; and

Provided, further, that the authority herein granted shall not be interpreted as imposing upon the commission any obligation whatsoever to authorize the issue of any bonds under said mortgage pursuant to the terms and conditions of said mortgage.

It is hereby further ordered that the order in Decision No. 6294, dated April 26, 1919, shall remain in full force and effect except as modified by this first supplemental order.

Dated at San Francisco, California, this thirtieth day of June, 1919.

DECISION No. 6464.

IN THE MATTER OF THE APPLICATION OF LAWRENCE WAREHOUSE COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF STOCK.

Application No. 4664.

Decided June 30, 1919.

Applicant authorized to issue \$40,000.00 par value of its common capital stock to be sold at not less than face value, \$23,700.00 to be delivered to California Terminals Company covering advances made, the balance sold and proceeds used to acquire property and for working capital.

Chas. C. Boynton, for Applicant.

MARTIN, *Commissioner*.

OPINION.

Lawrence Warehouse Company asks permission to issue and sell, at not less than par, \$40,000.00 of its common capital stock. It intends to deliver \$23,700.00 of its stock to the California Terminals Company in payment of indebtedness, and sell the remaining \$16,300.00 of stock to the California Terminals Company or to stockholders of that company.

Lawrence Warehouse Company was incorporated in 1913, with an authorized capital stock of \$10,000.00, divided into 1,000 shares of the par value of \$10.00 each. All of the \$10,000.00 of stock was issued by the company pursuant to the authority granted in Decision No. 4310, dated May 10, 1917 (Vol. 13, Opinions and Orders of the Railroad Commission of California, page 227). Recently the company has amended its articles of incorporation and increased its capital stock to \$50,000.00.

In exhibits attached to the petition, applicant reports its assets and liabilities as of April 30, 1919, as follows:

<i>Assets.</i>		
Fixed capital		\$17,439 44
Real estate	\$2,002 70	
Buildings	4,536 55	
Warehouse equipment	6,289 50	
Automobile and trucks	4,610 69	
Leases		48,163 46
Investment (stocks)		703 00
Investment (United States Liberty Bonds)		4,987 60
Cash		6,955 85
Accounts receivable		45,248 16
Deferred assets		2,593 55
Total assets		\$126,001 06
<i>Liabilities.</i>		
Stock outstanding		\$10,000 00
Advances by California Terminals Company		23,700 00
Notes payable		12,343 75
Accounts payable		10,968 31
Deferred liabilities		6,525 50
Reserves		4,534 81
Appreciation of fixed capital		37,135 00
Surplus		20,883 69
Total liabilities		\$126,001 06

Applicant reports a material increase in its business. For the year 1916 it reported total operating revenues at \$75,713.59, for 1917 total operating revenues of \$89,776.75 and for 1918 total operating revenues of \$138,939.84. At the time of the commission's decision referred to above, applicant was operating warehouses having a floor space of 30,000 square feet, while at present it is operating warehouses having a floor space of 755,000 square feet. The warehouses which applicant operates are located in Oakland, Alameda and Sacramento. The increase in applicant's business, according to the testimony of A. T. Gibson, secretary of the Lawrence Warehouse Company, makes it necessary for the company to issue additional stock.

Up to April 30, 1919, the California Terminals Company advanced to applicant a total of \$23,700.00. The Terminals company considered the advances as a subscription for applicant's stock and is willing to accept such stock at par in payment for the moneys advanced. The Terminals company or stockholders of that company have also expressed a willingness to purchase for cash additional stock of applicant in the amount of \$16,300.00.

I am of the opinion that because of the acquisition of properties, increase in business, the investment of surplus earnings in property and the need for added working capital, applicant may be properly permitted to issue \$40,000.00 of its stock at par. The authority herein

granted should, however, not be interpreted as placing any value upon the various leases referred to in the petition herein.

I herewith submit the following form of order:

ORDER.

Lawrence Warehouse Company having applied to the Railroad Commission for authority to issue \$40,000.00 of stock, a public hearing having been held and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Lawrence Warehouse Company be and it is hereby granted authority to issue, and sell for cash at not less than par, \$40,000.00 par value of its common capital stock.

The authority herein granted is subject to the following conditions:

1. Of the stock herein authorized to be issued, \$23,700.00 shall be delivered to the California Terminals Company in payment for advances by that company and referred to in the petition herein. The remaining \$16,300.00 of stock may be sold by applicant to either the California Terminals Company or stockholders of that company, and the proceeds used for the acquisition of properties and working capital, to which reference is made in this petition.

2. Lawrence Warehouse Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted shall apply only to such stock as may be issued on or before December 31, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this thirtieth day of June, 1919.

DECISION No. 6465.

IN THE MATTER OF THE APPLICATION OF SIERRA AND SAN FRANCISCO POWER COMPANY TO RENEW PROMISSORY NOTES.

Application No. 4602.

*Decided June 30, 1919.**Chickering & Gregory, by A. C. Van Fleet, for Applicant.*MARTIN, *Commissioner.***OPINION.**

Sierra and San Francisco Power Company asks permission to issue to Helen Smith Park two notes of an aggregate face value of \$3,600.00.

The testimony shows that Mr. Park is the owner or representative of a large ranch near Empire, Stanislaus County, and that he applied to applicant to furnish him with electricity, largely for domestic purposes. To enable it to comply with the request it was necessary for applicant to extend its line about four miles at an approximate cost of \$3,600.00. Of the \$3,600.00 about \$3,000.00 was necessary to pay for the extension along the county road and \$600.00 to pay for the extension from the county road to the location of service.

After some negotiations Mr. Park agreed to loan applicant the necessary \$3,600.00, provided it issue to his wife, Helen Smith Park, two notes, one for \$3,000.00, bearing interest at the rate of 6 per cent per annum, the other for \$600.00, without interest. The company agreed to pay interest on the \$3,000.00 note for the reason that the line along the county road may be used in the future to serve other consumers. Applicant has issued to Helen Smith Park its two notes, dated March 24, 1919, and payable on or before March 15, 1920, one note for the sum of \$3,000.00 with interest at 6 per cent per annum, the other for \$600.00, without interest. Applicant asks permission to refund the two notes through the issue of new notes, payable on or before March 24, 1922.

I herewith submit the following form of order:

ORDER.

Sierra and San Francisco Power Company having applied to the Railroad Commission for permission to issue two notes, a public hearing having been held, and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

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It is hereby ordered that Sierra and San Francisco Power Company be and it is hereby authorized to issue to Helen Smith Park on or before March 15, 1920, a promissory note for the sum of \$3,000.00, bearing interest at the rate of 6 per cent per annum and a promissory note for \$600.00, without interest, both of said notes to be issued for the purpose of refunding or renewing the two notes issued to Helen Smith Park on March 24, 1919, and referred to in the petition herein; provided,

(a) That the authority herein granted will not become effective until applicant has paid the fee prescribed in section 57 of the Public Utilities Act; and

(b) That within thirty days after the issue of the notes herein authorized, applicant file with the commission a copy of said notes.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this thirtieth day of June, 1919.

DECISION No. 6466.

IN THE MATTER OF THE APPLICATION OF COAST VALLEYS GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE RENEWAL OF A PROMISSORY NOTE IN THE SUM OF ONE THOUSAND TWO HUNDRED DOLLARS.

Application No. 4601.

Decided June 30, 1919.

Chickering & Gregory, by A. C. Van Fleet, for Applicant.

MARTIN, *Commissioner.*

OPINION.

Coast Valleys Gas and Electric Company asks permission to issue to Albert C. Hansen its 6 per cent \$1,200.00 promissory note, payable on or before May 12, 1922.

The record shows that on May 14, 1919, applicant borrowed from Albert C. Hansen, \$1,200.00 and executed to him its 6 per cent \$1,200.00 note, payable on or before May 12, 1920. The holder of the note has agreed that if applicant secures permission from the Railroad Commission to issue the note applied for herein, he would accept such note in exchange for the note now held by him.

Applicant reports that it used the \$1,200.00 borrowed from Albert C. Hansen to pay the cost of constructing a 9,500-foot extension to enable it to sell electrical energy to Albert C. Hansen.

I herewith submit the following form of order:

ORDER.

Coast Valleys Gas and Electric Company having applied to the Railroad Commission for permission to issue a promissory note, a public hearing having been held, and the commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Coast Valleys Gas and Electric Company be and it is hereby authorized to issue to Albert C. Hansen on or before May 12, 1920, its 6 per cent, \$1,200.00 note, payable on or before May 12, 1922, for the purpose of renewing or refunding the note issued to Albert C. Hansen on May 14, 1919; provided,

(a) That the authority herein granted will not become effective until applicant has paid the fee specified in section 57 of the Public Utilities Act; and

(b) That applicant file with the commission within thirty days after the issue of the note herein authorized a copy of said note.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this thirtieth day of June, 1919.

DECISION No. 6467.

IN THE MATTER OF THE APPLICATION OF CALIFORNIA-MICHIGAN LAND AND WATER COMPANY FOR PERMISSION TO EXECUTE AND DELIVER ITS PROMISSORY NOTE TO GRAND RAPIDS TRUST COMPANY.

Application No. 4713.

Decided June 30, 1919.

LOVELAND, *Commissioner.*

OPINION.

California-Michigan Land and Water Company asks permission to issue a 7 per cent \$43,500.00 one-year note, such note to be in the same form as the note attached to the petition herein and marked Exhibit "A."

Applicant reports that on September 4, 1912, which was prior to its entry into business as a public utility, it executed a trust deed to Los Angeles Abstract and Trust Company to secure the payment of a \$75,000.00 note delivered to Mortgage Guarantee Company. The note was dated September 4, 1912, and was issued for a term of two years and ten months. In 1914 the Mortgage Guarantee Company transferred

the note to Grand Rapids Trust Company. Applicant further reports that it paid \$31,500.00 on account of said note, leaving \$43,500.00 unpaid, that the note is not only past due, but that the statute of limitations will run against any action for the enforcement of collection of the note on July 5, 1919, and that the holder of the note is willing to accept a new one-year 7 per cent note.

Applicant, as set forth in Decision No. 5119, dated February 7, 1918, is engaged in real estate and public utility water business in South Santa Anita and East Pasadena. The trust deed which applicant executed, a copy of which is on file with the commission, on September 4, 1912, covers both public and nonpublic utility property. While the note is the obligation of the corporation, no claim is made that it should be paid in its entirety out of the earnings of the public utility business.

I herewith submit the following form of order:

ORDER.

California-Michigan Land and Water Company having applied to the Railroad Commission for authority to issue a \$43,500.00 note secured by a trust deed, a public hearing having been held, and the commission being of the opinion that this application should be granted,

It is hereby ordered that California-Michigan Land and Water Company be and it is hereby authorized to issue a 7 per cent \$43,500.00 one-year note, said note to be similar in form to the note attached to the petition herein and marked Exhibit "A" and to secure the payment of said note by a trust deed, substantially in the same form as the trust deed executed on September 4, 1912, to Los Angeles Abstract and Trust Company.

The authority herein granted to issue a note and execute a trust deed is subject to the following conditions:

1. The note shall be issued for the purpose of paying or refunding the \$43,500.00 note, payable to Grand Rapids Trust Company, referred to in the petition herein.
2. The approval herein given of said trust deed is for the purpose of this proceeding only, and an approval in so far as this commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said trust deed as to such other legal requirements to which said trust deed may be subject.
3. Within thirty days after the issue of the note herein authorized, applicant shall file with the Railroad Commission a verified copy of the note issued and of the trust deed.
4. The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.
5. The authority herein granted will apply only to such note as may be issued within sixty days after the date hereof.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this thirtieth day of June, 1919.

DECISION No. 6468.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF CALIFORNIA AUTHORIZING IT TO ISSUE, SELL AND DELIVER ITS FIRST PREFERRED STOCK TO THE PAR VALUE OF THREE MILLION FIVE HUNDRED THOUSAND DOLLARS AND TO USE THE PROCEEDS FROM THE SALE OF SAID FIRST PREFERRED STOCK IN THE MANNER AND FOR THE PURPOSES DESCRIBED HEREIN.

Application No. 4704.

Decided June 30, 1919.

C. P. Cutton, for Applicant.

DEVLIN, Commissioner.

OPINION.

Pacific Gas and Electric Company asks permission to issue and sell at not less than \$85.00 per share 35,000 shares (\$3,500,000.00) of its first preferred 6 per cent capital stock.

Applicant reports stock outstanding as of December 31, 1918, as follows:

Common	\$65,700,924.66
Original preferred	75,800.00
First preferred	24,881,305.00
Total	\$90,658,029.66

Of the common stock \$31,696,866.66 is owned by system corporations.

The testimony of A. F. Hockenbeamer, second vice president and treasurer of Pacific Gas and Electric Company, shows that the company has received a definite offer for \$3,500,000.00 of stock. The company is not at this time, however, in a position to advise the commission as to the specific purpose for which it intends to expend the proceeds obtained from the sale of the stock. A general statement of probable expenses covering new construction and the acquisition of properties appears in the record. The company intends, and the testimony herein shows that it will file, hereafter, a supplemental petition setting forth the specific purposes for which it desires to use the proceeds from the sale of the stock. The order herein will provide that all the proceeds from the sale of the \$3,500,000.00 of stock be deposited in a special bank account and expended only for such purposes as the Railroad Commission may authorize in a supplemental order or orders herein.

I herewith submit the following form of order:

ORDER.

Pacific Gas and Electric Company having applied to the Railroad Commission for permission to issue \$3,500,000.00 of its first preferred 6 per cent stock, a public hearing having been held and it appearing to the Railroad Commission that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

It is hereby ordered that Pacific Gas and Electric Company be and it is hereby granted authority to issue and sell at not less than \$85.00 per share cash 35,000 shares (\$3,500,000.00) of its first preferred 6 per cent stock, subject to the following conditions and not otherwise:

1. All the proceeds obtained from the sale of the stock herein authorized shall be deposited by applicant in a special bank account and expended only for such purposes as the Railroad Commission may authorize in a supplemental order or orders herein.

2. Pacific Gas and Electric Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted shall apply only to such stock as may be issued on or before December 31, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this thirtieth day of June, 1919.

DECISION No. 6469.

IN THE MATTER OF THE APPLICATION OF J. R. HOLLIDAY AND B. A. HOOK AND MAGGIE L. NOFZIGER, FOR PERMISSION TO SELL AND TRANSFER TO SAID NOFZIGER THE PLANT AND EQUIPMENT OF THE WATER SYSTEM AT COACHELLA NOW OWNED AND OPERATED BY SAID HOLLIDAY AND HOOK.

Application No. 4675.

Decided June 30, 1919.

Samuel H. French, for Applicants.

BRUNDIGE, *Commissioner*.

OPINION.

Applicants Holliday and Hook, in the above-entitled proceeding, ask permission to transfer to Maggie L. Nofziger, for \$5,000.00 cash, the water system at Coachella now owned and operated by them.

A public hearing was held in Los Angeles on June 18, 1919.

Testimony shows that Holliday and Hook, who are well drillers by trade, intend to go to Texas to engage in the sinking of oil wells and that it would not be of advantage to their consumers to leave the operation of the water system in charge of any persons whom they could employ for the purpose. Maggie L. Nofziger, however, is a person of means, who is able to finance the water system, and her husband, D. I. Nofziger, is a person of mechanical skill who will operate the plant.

It appears that on January 18, 1919, Holliday and Hook executed, without permission from this commission, a note for \$2,300.00, due in one year, with interest at 8 per cent, payable quarterly, and a deed of trust on this water system to Riverside Title Company, as trustee for First National Bank of Banning, California, to secure the note. The validity of the note and deed of trust is somewhat doubtful. However, inasmuch as testimony shows that Holliday and Hook intend to pay the note from funds obtained from sale of the property and have the deed of trust released of record, it is not necessary to go further into the matter.

There being no other indebtedness and no protests to the sale having been presented, I believe that public convenience will be bettered by the transfer.

ORDER.

J. R. Holliday, B. A. Hook and Maggie L. Nofziger, having made application in the above-entitled proceeding, a public hearing having been held thereon, being fully informed in the matter and basing the order on the findings contained in the preceding opinion,

It is hereby ordered that J. R. Holliday and B. A. Hook are hereby authorized to transfer to Maggie L. Nofziger, for \$5,000.00, that certain water system supplying the town of Coachella, and described as follows:

Lots 9, 10 and 11 of block 24, in the town of Coachella, as per map on file in Book 6, page 49 of Maps, Records of Riverside County, California, together with the storage tank, pump and electric motor located thereon, 3,000 feet, more or less, of metal pipe from 6 to 12 inches in diameter, 10,000 feet, more or less, of metal pipe less than 6 inches in diameter, and all service pipes, meters, valves and other appurtenances constituting the water system now operated by said Holliday and Hook.

It is hereby further ordered that the authority hereby granted is upon the following conditions and none other:

1. That the transfer herein authorized shall be completed within sixty days from the date of this order.
2. That within sixty days of the date of transfer certified copies of the deed shall be filed with this commission.
3. That the transfer shall not be complete until the said Holliday and Hook have paid the above-mentioned note.

4. That the purchase price of \$5,000.00, agreed to by the applicants herein, shall not be brought before this commission as a basis for fixing rates or for any purpose other than the transfer herein authorized.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the state of California.

Dated at San Francisco, California, this thirtieth day of June, 1919.

DECISION No. 6470.

IN THE MATTER OF THE APPLICATION OF BLACK DIAMOND WATER COMPANY TO INCREASE RATES.

Application No. 4471.

Decided June 30, 1919.

B. D. Marx Greene, for Applicant.

BY THE COMMISSION.

OPINION.

Black Diamond Water Company, a public utility water corporation, applicant herein, asks this commission to authorize it to increase its rates charged for water to its consumers in the city of Pittsburg and vicinity.

Applicant alleges in effect that it is a public utility water corporation engaged in the business of distributing and selling water for manufacturing, domestic and other uses in the city of Pittsburg, Contra Costa County, and territory adjacent thereto; that the present rates are unjust and unremunerative, and do not produce a sum sufficient to meet operating expenses, replacements and interest on a fair rate base; that applicant filed with this commission, in Case No. 870, entitled *City of Pittsburg vs. Black Diamond Water Company*, a complete inventory and the original cost of its property at that time, and is herein present-in additions and retirements to date; that this commission, in its order in the above-mentioned case, established the present rate schedule, and directed applicant to proceed with the installation of meters at the rate of ten meters per month; that applicant proceeded to carry out the program set forth in the commission's order until the year 1918, at which time, owing to the high price of materials and labor and the scarcity of meters, a lesser number were installed, and that at the present time there are 844 consumers, and 337 thereof are metered; that during the summer of 1918, owing to the extreme drought, the water supply was diminished and became brackish to such an extent as to render it unfit for human consumption; that in order to properly serve its consumers, applicant

hired tank wagons to haul potable water from wells in the vicinity, at great expense to itself.

Applicant asks for an order from this commission authorizing it to establish a rate schedule which will produce a reasonable annual revenue, and further prays for authority to establish a surcharge to compensate it for its extraordinary expense in the year 1918, in supplying potable water to its consumers.

The rate schedule now in effect was established by this commission in its Decision No. 3257, *City of Pittsburg vs. Black Diamond Water Company*, Case No. 870, decided April 17, 1916, Opinions and Orders, Railroad Commission of California, Vol. 9, page 710, and a supplemental decision, No. 3413, in the above proceeding, decided June 9, 1916, reported in volume 10, Opinions and Orders of the commission, at page 296, which rate schedule has been in effect since that date.

The water supply for this system is obtained by pumping from what is known as New York Slough, an arm of the Sacramento River. It is then treated and filtered, in order to produce a sanitary and potable water. From the filters it is pumped into a 100,000-gallon distributing tank on a 70-foot tower, and from this tank it is delivered to the consumers through iron and steel pipes. For a detailed description and history of this system, reference is made to Decision No. 3257, *supra*.

A public hearing was held in this proceeding in Pittsburg, at which hearing evidence was submitted on the part of applicant to justify its petition, and the results of the investigation of this commission's engineering department were also submitted. Mr. H. A. Noble, one of the hydraulic engineers of this commission, submitted an estimated probable cost new as of June 1, 1919, of \$89,223.00, and a 4 per cent sinking fund annuity of \$2,373.00. Mr. A. Kempkey, engineer for applicant, submitted an appraisal as of the same date, the results of which are as follows:

Probable original cost.....	\$98,328 00
Depreciated cost	70,717 00
Depreciation allowance	4,897 00

Mr. Kempkey computed this depreciation allowance on what is known as the Adams' Third Method of Depreciation. He used a 6 per cent sinking fund and a 6 per cent return on the investment. In the sum of \$98,328.00, reported by Mr. Kempkey as the probable original cost, no deduction was made for certain pipe lines replaced in 1918, which the commission's engineers found to have cost \$1,945.00. To the above-reported sums should be added \$13,752.00, the cost of a barge purchased for the purpose of hauling water at such times as the water at the intake becomes brackish. So little difference exists between the appraisals submitted by the company and this commission's engineers, that for

the purpose of this proceeding, it is unnecessary to further discuss the value of the plant.

The company's reports, as submitted, of maintenance and operation expense, were examined by the commission's engineers and checked in detail, in the original records of the company. The following tabulation summarizes the income and expenses of the company for the past three years:

Year.	Gross revenue.	Operating expenses
1916 -----	\$14,425 00	\$11,904 00
1917 -----	17,553 00	12,044 00
1918 -----	19,477 00	15,641 00

The following is a detail of the operating expenses of the company for 1918, as taken from the records of the company by the commission's engineers:

Office salaries, expenses, collecting, etc.-----	\$4,417 62
Electric power pumping -----	2,942 10
Distribution repair -----	637 55
Purification expense -----	1,479 44
Transmission repair -----	122 10
Pumping labor and expense -----	2,900 44
Service repair and expense -----	281 94
Meter repair -----	123 20
Automobile expense and repair -----	176 03
Taxes -----	1,252 21
Hauling water with teams -----	1,218 08
Total -----	\$15,640 71

The expenditure of the sum of \$1,218.08 set out above for hauling the water with teams, was necessitated because of the fact that the flow of the Sacramento River became so small during the summer of 1918 that the water at the point of diversion became brackish due to the inflow of salt water from the ocean. Water was hauled in tank wagons from nearby wells to relieve the shortage of water for drinking purposes.

During the early part of 1919, applicant purchased a barge with which to haul water from a point farther up the Sacramento River, where the water is not brackish. The operation of this barge during the summer season, it is estimated, will cost approximately \$1,800.00, which amount should be added to maintenance and operation expenses.

Combining these various items of operating expense, it is found as a fact that \$16,222.00 is a fair sum to be included in the rate base for operating expenses.

The following is a summary of the annual charges to be produced by the rate schedule established herein:

Interest -----	\$6,500 00
Depreciation annuity -----	2,835 00
Maintenance and operation expense -----	16,222 00
Total -----	\$25,557 00

Details of water use and the basis of computing the present flat rates, were submitted at the hearing. Using the detail submitted as a basis, the rate schedule established herein has been computed, and is such as to produce the above annual charges.

This commission in its Decision No. 3413, *City of Pittsburg vs. Black Diamond Water Company* (Case No. 870), directed applicant herein to install meters at the rate of ten meters per month, until the system was fully metered. This program has not been carried out by applicant, although applicant's system is now approximately 45 per cent metered. It is now asked that the above-mentioned order be so modified as to relieve applicant from metering the smaller water users in the old residence district, in which there is a large proportion of small residences. Because of the fact that there is so small a consumption of water by this class of consumers, it appears that it would benefit neither the utility nor the consumers to install meters. It therefore appears advisable to relieve applicant of this expense.

ORDER.

Black Diamond Water Company having applied to this commission for an order authorizing it to increase its rates, and a public hearing having been held, and the commission being fully apprised in the premises,

It is hereby found as a fact that the rate schedule of Black Diamond Water Company, in so far as it differs from the rate schedule herein established, is unjust and unremunerative, and that the rate schedule herein established is fair, just and remunerative, and basing its order on the foregoing finding of fact and on the further findings of fact set out in the opinion preceding this order,

It is hereby ordered that Black Diamond Water Company be and it is hereby authorized and directed to file with this commission, within twenty (20) days from the date of this order, the following rate schedule, effective for all meter readings subsequent to June 25, 1919:

<i>Metered use.</i>	RATE SCHEDULE.
Monthly minimum payments for metered service—	
For $\frac{3}{4}$ -inch or $\frac{1}{2}$ -inch meters.....	\$1 25
For 1-inch meter	2 00
For 1½-inch meter	2 75
For 2-inch meter	3 50
<i>Quantity rates, per 100 cubic feet.</i>	
For use between 0 and 300 cubic feet, per month.....	\$0 41½
For use between 300 and 2,000 cubic feet, per month.....	0 27
Over 2,000 cubic feet, per month.....	0 21
<i>Municipal use.</i>	
Fire service minimum for 35 hydrants, per month.....	\$70 00
Additional hydrants, per hydrant.....	1 50
Street sprinkling and sewer flushing, and all other municipal use at meter rates.	

Flat rates.

To apply to all users on separate premises in whatever ownership.

1. Residence and tenements of four rooms or less, occupied by a single family and including one bath and toilet, per month-----\$1 50
 For each additional room, per month----- 10
 For each additional bathtub and toilet, per month----- 20
 For each private barn, not more than two horses or cows, per month 60
 For each additional horse or cow, per month----- 20
2. Private boarding houses—for each roomer or boarder in addition to the family, per month----- 15
3. Irrigation of gardens and grounds, payable every month in the year, per 100 square feet----- 97
4. Livery stables and stockyards, per average number of stock fed, each ----- 35
5. Barber shops, for single chair, per month----- 1 25
 For each additional chair----- 25
6. Saloons or hotel barrooms----- 3 00
7. Restaurants and cafes, per unit of seating capacity----- 10
8. Bakeries, in addition to the store rate, according to monthly use of flour, for each barrel used----- 06
9. Public garages, average 6 autos or less, per month----- 3 00
 For each additional auto, per month----- 50
10. Photograph galleries, or where water is used for photograph printing and developing, in addition to the store rate, per month----- 1 50
11. Soda fountains and ice cream parlors, either alone or in connection with other business, per month-----\$1 50 to 4 00
12. Wagon and blacksmith shops, per month-----\$1 50 to 3 00
13. For small stores and shops not otherwise listed, per month-\$1 00 to 2 00
14. For large stores and warehouses not otherwise listed, per month ----- \$2 00 to 5 00
15. Additional for each bathtub or toilet in 4 to 14, inclusive, per month ----- 50
16. Living rooms in connection with stores or shops, additional to store rate, per month----- 1 00
17. For use of hose in front of stores and shops for washing windows and sprinkling sidewalks, according to frontage, per month----- 25 cents to 1 25
18. Bathing establishments, either alone or in connection with barber shops, for one public bathtub, per month----- 2 00
 For each additional public bathtub, per month----- 75
19. Building work:
 For mortar and to dampen brick, per 1,000 bricks----- 20
 For cement work and plastering, each barrel of cement or lime used ----- 20
20. Water for all purposes or establishments not specified in above schedule, charged for at meter rates.
21. Meters may be installed at the request of any consumer or at the option of the utility.

It is hereby further ordered that Black Diamond Water Company be and it is hereby authorized to discontinue the installation of meters upon all its services until further notice, and it is directed to file with this commission, within twenty (20) days from the date of this order, a plan for a comprehensive metering program.

Dated at San Francisco, California, this thirtieth day of June, 1919.

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SUPPLEMENTAL AND MISCELLANEOUS ORDERS.

Doc. No.	Case No.	Applicant	Action	Date
5754	4037	F. G. Waterhouse	Permitted to discontinue water service, Rollins	Sept. 14, 1918
5753	3747	Westport Tto Co.	Approval of wharf franchise, Mendocino County	Sept. 11, 1918
5779	2121	Southern Sierra Power Co.	Time extended in which to comply with provisions of Chapters 429-640, line reconstruction	Sept. 19, 1918
5755	2151	Winterhaven Improvement Co.	Stipulation as to franchise value	Sept. 19, 1918
5789	4077	Manitaca Telephone and Telegraph Co.	Granted permission to sell telephone system	Sept. 19, 1918
5754	4074	La Habra Valley Land and Water Co.	Correcting error in original order	Sept. 24, 1918
5822	3183	La Brea Water Co.	Specifying time during which new irrigation rate shall be effective	Oct. 1, 1918
5823	3831	San Diego Consolidated Gas and Electric Co.	Disposition of proceeds from sale of \$25,000 notes	Oct. 1, 1918
5825	3380	East Bay Water Co.	Approval of trust agreement	Oct. 9, 1918
5834	9170	Southwestern Home Telephone Co.	Time extended in which to comply with provisions of Chapters 429-640, line reconstruction	Oct. 9, 1918
5835	1022	Jackson & Jackson	Permitted to sell small water system, San Martin	Oct. 9, 1918
5838	1022	F. L. Ryan	Permitted to discontinue water service at Fetters Springs	Oct. 9, 1918
5841	3123	State Warehouse	Revised storage rates, warehouse Marysville	Oct. 11, 1918
5878	4088	Mitchell Auto Stage Co.	Petition for rehearing denied	Oct. 28, 1918
5884	3106	Imperial Utilities Corporation	Permitted to amend mortgage	Nov. 1, 1918
5885	4026	Atchison, Topeka and Santa Fe Railway Co. and Southern Pacific Co.	Permitting properties transferred Decision 5539 to be operated jointly by applicants	Nov. 1, 1918
5890	3578	Union Ice and Storage Co.	Correcting error Decision No. 5085	Nov. 4, 1918
5922	3947	Western States Gas and Electric Co.	Extending class of service covered by surcharges established in Decision 5579	Nov. 15, 1918
5924	4115	Whittier Home Telephone and Telegraph Co. and Downey Home Telephone and Telegraph Co.	Installation and removal charges, authorization of	Nov. 19, 1918
5929	4130	Santa Barbara Telephone Co.	Installation and removal charges, authorization of	Nov. 19, 1918
5930	4133	Union Home Telephone and Telegraph Co.	Installation and removal charges, authorization of	Nov. 19, 1918
5931	4171	Interstate Telegraph Co.	Installation and removal charges, authorization of	Nov. 19, 1918
5932	4201	Southwestern Home Telephone Co.	Installation and removal charges, authorization of	Nov. 19, 1918
5933	4217	Monrovia Telephone and Telegraph Co.	Installation and removal charges, authorization of	Nov. 19, 1918
5934	2216	Coast Valleys Gas and Electric Co.	Granted extension of time in which to comply with provisions of Chapters 429-640, line reconstruction	Nov. 19, 1918
5951	2217	Sierra and San Francisco Power Co.	Disposition of proceeds of stock sales	Nov. 20, 1918
5962	3243	Sateco Warehouse Co.	Authorized to issue \$5,000 par value of stock to liquidate indebtedness	Dec. 16, 1918
5983	3307	Quincy Railroad Co.	Approval of leasing plans	Dec. 16, 1918
5989	4186	Palo Verde Warehouse and Storage Co.	Defendant's petition for rehearing denied	Dec. 16, 1918
5994	C. 1194	A. Silva vs. W. F. Van Houscar		Dec. 18, 1918

SUPPLEMENTAL AND MISCELLANEOUS ORDERS—Continued.

Dec. No.	Case No.	Applicant	Action	Date
6045	C. 1170	Feather River Lumber Co. vs Nevada-California-Oregon Railway	Complainant's petition for rehearing denied.	Dec. 21, 1918
6015	898	San Diego and Arizona Railway Co.	Amending Decision 5818 relative to stock issue.	Dec. 23, 1918
6021	4259	George and Lily Berg	Authorized to transfer small telephone system.	Dec. 26, 1918
6022	1158	Ben Swanson	Granted certificate to operate water system, Del Rey.	Dec. 26, 1918
6023	4262	W. T. Gurney	Authorized to sell a small telephone system in Tuolumne.	Dec. 26, 1918
6024	4164	Mary Oberst	Authorized to sell one-sixth interest in water system, Forest Hill.	Dec. 26, 1918
6038	3468	John L. Mathews et al.	Authorized to sell certain irrigation properties of Monterey County Water Works.	Dec. 30, 1918
6043	3557, 3643	San Joaquin Light and Power Corporation.	Disposition of proceeds of bond sales.	Dec. 31, 1918
6049	C. 1265	re Steve Quinn Launch and Barge Co.	Directed to remove discriminatory rates on potatoes and onions shipped between San Joaquin River points.	Jan. 3, 1919
6054	3740	California Telephone and Light Co.	Authorized to establish surcharge, electric rates, Healdsburg.	Jan. 15, 1919
6057	2285	Coast Counties Gas and Electric Co.	Granted extension of time in which to comply with provisions of Chapters 459-490, line reconstruction.	Jan. 15, 1919
6068	3955	Southern California Edison Co.	Authorized to establish a minimum rate of 75 cents per meter for electricity in certain small cities of Los Angeles County.	Jan. 16, 1919
6106	4348	Western Metropolis Savings	Authorized to sell water system—Inverness.	Feb. 13, 1919
6111	3820	West San Joaquin Valley Water Co.	Authorized to sell real estate.	Feb. 13, 1919
6112	3816	Associated Terminals Co. and China Basin Warehouse Co.	To expend stock proceeds in equipping new terminal.	Feb. 13, 1919
6123	2975	Death Valley Railroad Co.	Authorized to sell 380 shares of stock for purpose of returning bonds.	Feb. 13, 1919
6138	4025	De Luxe Transportation Co.	Provision as to disposition of proceeds from stock authorized in Decision 5733.	Feb. 25, 1919
6150	4976	North Sacramento Auto Stage Co.	Authorized to issue 10,000 per value of stock.	Feb. 25, 1919
6160	4301	Albrecht & Oberst.	Authorized to sell one-third interest in water system at Forest Hill.	Mar. 4, 1919
6179	4003	Southern California Gas Co.	Approving stipulation as to franchise value.	Mar. 12, 1919
6198	4312	Western Water, Gas and Electric Co.	Approving disposition of portion of proceeds from bond sales.	Mar. 17, 1919
6199	1982	Sacramento Northern Railway Co.	Approving disposition of proceeds of bond sales.	Mar. 17, 1919
6205	4116	Red Mountain Fruit Co.	Authorized to sell small water systems at Woodlake, Tulare County.	Mar. 22, 1919
6208	4449	Port Costa Warehouse and Dock Co.	Approval of wharf franchise, Contra Costa County.	Mar. 22, 1919
6219	4415	San Diego and Arizona Railway Co.	Authorized to lease certain trackage to city of San Diego.	Mar. 22, 1919
6216	3459	Pacific Gas and Electric Co.	Corroding Decision 5519, re electric rates.	Mar. 22, 1919
6228	4267	East Bay Water Co.	Authorized to sell certain nonoperative property.	Mar. 27, 1919
6229	4462	Sonoma City Water Works.	Authorized to execute mortgage and issue ten year note of the face value of \$16,000.	Mar. 27, 1919
6237	4449	Port Costa Warehouse and Dock Co.	Approval of wharf franchise, Contra Costa County.	April 14, 1919
6237	4391	Economic Gas Co. and Southern California Gas Co.	Approving stipulation as to value of gas properties transferred.	April 16, 1919

SUPPLEMENTAL AND MISCELLANEOUS ORDERS.

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6577	4511	Southern California Gas Co.	Authorized to lease certain property for spur track purposes.	April 19, 1916
6578	4339	Road & Piers.	To sell small water plant.	April 19, 1916
6579	2580	San Gabriel Valley Water Co.	Sale of water plant to city of San Gabriel.	April 25, 1916
6580	1953	Northern Electric Railway Co.	Disposition of proceeds of bond sales.	May 5, 1919
6581	2260	Sacramento Gas Co.	Disposition of proceeds of bond sales.	May 7, 1919
6582	1495	East Bay Water Co.	Authorized to sell nonoperative property.	May 10, 1919
6583	1953	Sacramento Northern Railroad	Required to amortize reorganization expenses.	May 12, 1919
6584	4267	Charles E. Williams and Imperial Utilities Co.	Authorized to transfer small water system at Earstow.	May 12, 1919
6585	C. 1282	Wm. Hartigan vs. Pacific Gas and Electric Co.	Complainant's petition for rehearing denied.	May 14, 1919
6586	2713	Southern California Edison Co.	Amending prior order, reference to stock subscriptions by employees.	May 14, 1919
6587	4312	Western States Gas and Electric Co.	Disposition of proceeds from bond sales.	May 19, 1919
6588	3910	Southern Sierras Power Co.	Petition of county of Riverside for rehearing denied.	May 19, 1919
6589	4075	Contra Costa Realty Co.	Approving stipulation as to franchise value.	May 25, 1919
6590	4100	Southern Counties Gas Co.	Approving stipulation as to purchase of gas properties.	June 10, 1919
6591	C. 1257	Dwight vs. Lyon & Hoag.	Denying defendant's petition for rehearing.	June 16, 1919
6592	2618	Hillsborough Water Co.	Authorized to use portion of bonds to secure note.	June 16, 1919
6593	4018	Codriga Gas and Power Co.	Authorized to sell gas plant; to city of Codriga for the sum of \$10,000.	June 17, 1919
6594	C. 1333	Meyer vs. Sierra and San Francisco Power Co.	Petition of complainant for rehearing denied.	June 17, 1919
6595	C. 1317	Re Sierra and San Francisco Power Co.	Petition of intervenor for rehearing denied.	June 20, 1919
6596	4690	North Glendale Distributing Co.	Authorizing disposition of stock held by bank.	June 25, 1919
6597	4012	Pacific Gas and Electric Co.	Amending Decision 3823, stock issue.	June 25, 1919
6598	1954	Pacific Gas and Electric Co.	Amending Decision 3823, stock issue.	June 25, 1919
6599	3284	Oakland, Antioch and Eastern Railway.	Pledging of bonds to secure note.	June 26, 1919
6600	3906, C. 1128	Rose & Lane and Hobart Estate Co.	Deposit of payments to consumers, account discontinuance of service.	June 26, 1919

AUTO STAGES; TRUCKS; JITNEY BUSES.

Dec. No.	Application No.	Applicant	Petition	Action	Date
5712	3748	Lorenz & Yuhraus	Auto stage service	First supplemental order	Sept. 14, 1918
5714	4029	M. L. McCausland	Passenger service, Red Bluff and Gold Fork	Granted	Sept. 14, 1918
5715	4098	J. P. Bak E.	Passenger service, Milton-Copperopolis	Granted	Sept. 14, 1918
5716	4067	Win. G. Mills	Passenger service, Tuolumne-Confluence	Granted	Sept. 14, 1918
5717	4063	Chas. W. Barrett	Passenger and freight service, Markleville and Fredericksburg	Granted	Sept. 14, 1918
5718	5937	Peninsular Drayage Co.	Freight service, San Francisco-San Mateo	Granted	Sept. 14, 1918
5719	3861	Peninsular Motor Truck Express Co.	Freight service, San Francisco-Oakland-Gilroy	Granted	Sept. 14, 1918
5721	4065	Elee Garcia	Passenger and freight service, Priest Valley-King City	Granted	Sept. 14, 1918
5720	5886	William R. Market	Passenger service, South San Francisco-San Francisco (county line)	Granted	Sept. 14, 1918
5722	4054	R. E. Cantwell	Freight service, Chico-Hamilton City	Granted	Sept. 14, 1918
5723	4444	Douglas Crum	Passenger and freight service, Chico-Colusa	Granted	Sept. 16, 1918
5724	3896	J. T. Gibbins	Auto stage service	First supplemental order	Sept. 16, 1918
5725	3897	H. V. Whitley	Auto stage service	First supplemental order	Sept. 16, 1918
5726	3897	W. B. Shively	Auto stage service, Eureka-Bridgeville	Denied	Sept. 16, 1918
5727	3422	Hans Michael	Passenger service, Cloverdale-Healdsburg	Granted	Sept. 18, 1918
5728	4082	T. W. Keen	Passenger and freight service, Santa Monica-Topanga	Granted	Sept. 19, 1918
5729	4083	Robert H. Logan	Passenger and freight service, Zurich-Big Pine	Granted	Sept. 26, 1918
5730	4088	Bauer & Neighbor	Passenger and freight service, Willits-Hearst	Granted	Sept. 26, 1918
5731	4089	Crown Stage Co.	Passenger and freight service, Santa Ana-Laguna Beach	Granted	Sept. 26, 1918
5892	4067	Win. L. Walter	Passenger and freight service, Bradley-Bryson	Granted	Sept. 26, 1918
5812	4120	James V. Woodcock	Passenger service, Mokelumne Hill-West Point	Granted	Oct. 1, 1918
5813	4121	F. L. Brandon	Freight service, Fresno-Porterville	Granted	Oct. 1, 1918
5814	4123	Jess. Strotts	Passenger and freight service, Cedarville-Eagleville	Granted	Oct. 1, 1919
5815	4125	Ludwig Larsen	Passenger and freight service, San Miguel-Parkfield	Granted	Oct. 1, 1918
5816	4055	Win. H. Anderson	Passenger service, Randsburg-Trona	Granted	Oct. 1, 1918
5819	4105	S. N. Wiley and C. S. Wiley	Passenger service, Randsburg-Trona	Granted	Oct. 1, 1918
5820	4106	American Transfer and Auto Delivery Co.	Freight service, Los Angeles-Long Beach	Granted	Oct. 1, 1918

5621	4104	Frank P. McCarty	Passenger service, Mokelumne Hill-Valley Springs.	Granted	Oct. 1, 1918
5636	4094	Highway Transportation Co.	Passenger and freight service, Los Angeles-Santa Ana.	Granted	Oct. 9, 1918
5637	4129	J. R. Procter	Freight service, Del Rey-Parlier.	Granted	Oct. 9, 1918
5716	4080	Crown Stage Company.	Freight and passenger service, Santa Ana-Laguna Beach.	First supplemental order.	Oct. 21, 1918
5829	4103	American Transfer and Auto Delivery Co.	Freight service, Long Beach-Los Angeles.	First supplemental order	Oct. 21, 1918
5840	5924	Ekstrom & Wilcox.	Passenger service, Santa Rosa-Calistoga.	Granted	Oct. 21, 1918
5841	3421	Pickwick Stages	Passenger service, San Francisco-Los Angeles.	First supplemental order	Oct. 21, 1918
5871	4064	Frost Forbes	Passenger and freight service, John-King City.	Denied	Oct. 28, 1918
5872	3634	Neri T. Hoxley	Passenger and express service, Pico del Rio-Oceanside.	Granted	Oct. 28, 1918
5873	3563	Stevenson & Kephart	Passenger service, Rhythe-Riverside.	Granted	Oct. 28, 1918
5875	3316	Walter A. Bailey	Passenger and freight service, Chico-D. Salina.	First supplemental order	Oct. 28, 1918
5879	3629	C. T. Lang	Passenger service, La Mesa.	Granted	Oct. 28, 1918
5893	4039	M. L. McAnisland	Passenger service, Red Bluff-Cold Fork.	Granted	Nov. 4, 1918
5895	4124	E. L. Brandon	Passenger service, Fresno-Porterville.	First supplemental order	Nov. 4, 1918
5898	4131	Joseph J. Ratto	Freight and passenger service, Jackson-Volcano.	Granted	Nov. 4, 1918
5899	3757	Haworth & Hather	Passenger service, Bakerfield-McKittrick.	First supplemental order	Nov. 4, 1918
5900	3489	Auto Transit Co.	Passenger service, San Francisco-Santa Cruz.	Granted	Nov. 4, 1918
5907	4190	Wm. A. Herman	Freight and passenger service, Birchland and Shelter Cove.	Granted	Nov. 12, 1918
5948	4183	Harry G. Beckley	Passenger service, Sanguis-Los Angeles.	Granted	Nov. 12, 1918
5949	4177	A. A. Crabb	Passenger service, Fresno-Lemoore.	Granted	Nov. 12, 1918
5912	4170	R. L. Paine	Passenger and freight service, Mariposa-Bagley.	Granted	Nov. 14, 1918
5913	4163	W. A. Swanson	Passenger and freight service, Three Rivers-Hanford.	Granted	Nov. 14, 1918
5914	4168	O. L. Higdon	Freight service, Fresno-Riverdale.	Granted	Nov. 14, 1918
5915	4176	A. C. Bishop	Freight service, San Diego-Ramona.	Granted	Nov. 14, 1918
5916	3957	John R. Hanford	Passenger service, Rodco El Cerrito.	Granted	Nov. 14, 1918
5920	3856	White-Mitchell Balloon Route.	Passenger service, Pasadena-Arcadia.	Denied	Nov. 14, 1918
5923	4269	Samuel Pinches	Passenger and freight service, Longvale-Branscomb.	First supplemental order	Nov. 15, 1918
5924	4067	Wm. J. Mills	Passenger service, Tuolumne-Confluence.	First supplemental order	Nov. 15, 1918
5925	4263	Robert Nicholson	Freight service, San Diego-Julian.	Granted	Nov. 20, 1918
5947	4066	James M. Parish	Passenger service, Fresno-Cutler.	Granted	Nov. 20, 1918
5949	4165	W. West Tong	Passenger service, Truckee-Tahoe City.	Granted	Nov. 20, 1918
5950	4115	M. J. Kent	Passenger service, Lomita-Redondo.	Granted	Nov. 20, 1918
5960	4187	Crescent Bay Stage Co.	Passenger service, Manhattan Beach-San Pedro.	Granted	Nov. 20, 1918
5962	3786	Wm. O. Fischer	Freight service, Los Angeles-Oxnard.	First supplemental order	Nov. 30, 1918
5963	4249	Samuel Pinches	Passenger and freight service, Lompoc-Branscomb.	First supplemental order	Nov. 30, 1918
5964	4108	O. L. Higdon	Freight service, Calaveras-Riverdale.	First supplemental order	Nov. 30, 1918
5967	4298	Bay Shore Stage Co.	Passenger service, Oakland-Martinez.	Granted	Dec. 3, 1918
5979	4213	John R. Gray	Freight service, Groveland-Chinese Station.	Granted	Dec. 3, 1918
5970	4227	Walter Hummels	Passenger and freight service, Red Bluff-Jolly.	Granted	Dec. 3, 1918

AUTO STAGES; TRUCKS; JITNEY BUSES—Continued.

Dec. No.	Application No.	Applicant	Petition	Action	Date
3671	4234	T. J. Cronin.....	Passenger service, Raymond-Wayona.....	Granted	Dec. 3, 1918
3676	4229	Indley F. Shelley.....	Passenger service, Korto-Taft, Taft-Associated.....	Granted	Dec. 5, 1918
3780	4156	Hanson-Hanson.....	Passenger service, Sacramento-Del Paso Park Heights.....	First supplemental order	Dec. 6, 1918
3901	4239	Francis W. Hunt.....	Passenger and freight service, Petaluma-Valley Ford.....	Granted	Dec. 16, 1918
3992	4237	Joseph H. Vucelovich.....	Passenger and freight service, Annapolis-Stewart Point.....	Granted	Dec. 16, 1918
4006	3977	A. C. Lacey.....	Passenger and freight service, Chico-Colhasset.....	First supplemental order	Dec. 21, 1918
4007	4242	R. E. Stowe.....	Freight service, Sacram into-Orangevale.....	Granted	Dec. 21, 1918
4048	4390	Tienman E. Rigney.....	Passenger service, San Andreas-Sheeps Ranch.....	Granted	Dec. 21, 1918
4010	4187	Crescent Bay Stage Co.....	Passenger service, Manhattan Beach-San Pedro.....	First supplemental order	Dec. 21, 1918
4218	4248	Bay Shore Stage Co.....	Passenger service, Oakland-Bay Point.....	First supplemental order	Dec. 21, 1918
4017	4248	Olinda Bus Line.....	Passenger service, Anaheim-Brea.....	Granted	Dec. 24, 1918
4018	4364	Roscoe Venard.....	Passenger service, Cutler-Badger.....	Granted	Dec. 24, 1918
6286	4367	Stockton-Fresno Motor Freight Co.....	Freight service, Stockton-Fresno.....	Granted	Dec. 26, 1918
4012	3925	S. B. McLewman & Son.....	Freight service, San Francisco-San Jose.....	Granted	Dec. 30, 1918
6151	3389	Phillips & Spin Ill.....	Passenger service, San Jose-County Infirmary.....	Denied	Jan. 6, 1919
4057	4281	Valley Motor Transport Co.....	Freight service, Colusa-Red Bluff.....	Grant d	Jan. 15, 1919
6158	4292	Wright & Davis.....	Passenger service, Red Bluff-Cerber.....	Grant d	Jan. 15, 1919
4064	4280	I. C. Young.....	Freight service, Oakland-Fremington.....	Grant d	Jan. 15, 1919
6167	4246	Olinda Bus Line.....	Passenger service, Anaheim-Brea.....	First supplemental order	Jan. 16, 1919
4069	4048	J. F. Baker.....	Passenger service, Milton-Copperopolis.....	First supplemental order	Jan. 17, 1919
6170	4227	Walter Hunarus.....	Passenger service, R d Bluff-Jolly.....	First supplemental order	Jan. 17, 1919
6071	4311	Jesse H. Tripp.....	Passenger and freight service, Hemet-Baptiste.....	Granted	Jan. 17, 1919
6072	4304	Pickwick Stages.....	Passenger service, Los Angeles-Camarillo.....	Granted	Jan. 17, 1919
6084	4330	O. W. Bus Line.....	Passenger service, Whittier-Standard Oil plants.....	Granted	Jan. 28, 1919
6085	4074	Joseph Miller.....	Passenger service, Visalia-Lemoore.....	Granted	Jan. 28, 1919
6066	4239	Francis W. Hunt.....	Passenger and freight service, Petaluma-Valley Ford.....	First supplemental order	Jan. 28, 1919
6087	4145	M. J. Kent.....	Passenger service, Lomita-Rolando.....	First supplemental order	Jan. 28, 1919
6084	4329	Henry Johnston.....	Passenger and freight service, Ukiah City-Potter Valley.....	Granted	Jan. 28, 1919
6091	4212	W. P. Bauchamps.....	Passenger service, Oakland-Newark.....	Granted	Jan. 28, 1919
6100	4136	A. C. Anderson.....	Passenger and freight service, Greenfield-Soledad.....	Granted	Feb. 13, 1919
6114	4021	Henry A. Condra.....	Passenger service, Los Alamitos-Seal Beach.....	Granted	Feb. 13, 1919
6116	4350	George E. Stuckney.....	Passenger service, Sacramento-Elk Grove.....	Granted	Feb. 13, 1919
6121	3083	Merced Falls Stage Lin.....	Passenger service, Merced Falls-Merced.....	First supplemental order	Feb. 18, 1919

4163	W. A. Swanson	Passenger and freight service, Three Rivers Ham- mond.	First supplemental order.	Feb. 13, 1919
4371	Lyeke & Boughman	Passenger service, Sacramento Valley	Granted	Feb. 14, 1919
4376	J. R. Volrick	Passenger service, Whittier Standard Oil plant	Granted	Feb. 25, 1919
4178	Nativo Celayo	Passenger service, Angels Camp Murphys	First supplemental order	Feb. 25, 1919
4271	United Stages Co.	Passenger service, Sacramento Lake Tahoe	Rehearing denied	Feb. 26, 1919
3762	Paul Athley	Passenger service, Susan City Rio Vista	Granted	Mar. 4, 1919
3610	Thos. B. Riley	Passenger service, Eureka Korbol	Granted	Mar. 4, 1919
4165	Clarence H. Mason	Freight service, Sutter Los Angeles	Granted	Mar. 4, 1919
3914	J. R. Martin	Passenger and freight service, Lakeport Ukiah	Freight service granted; pas- senger service between Lake port and Laurel Dell only.	Mar. 4, 1919
3740	Guido de Ghetahl	Freight service, Upper Lake Ukiah	Granted	Mar. 4, 1919
5727	J. H. Jacobs	Freight service, Sacramento Winters	Granted	Mar. 12, 1919
4146	Compton McGruoids	Passenger service, Huntington Park Long Beach	Granted	Mar. 12, 1919
4340	David L. Held	Freight service, San Fernando Valley points	Granted	Mar. 12, 1919
4236				
4252	Compton Truck Co.	Freight service, Los Angeles Compton Long Beach and San Pedro.	Los Angeles Compton granted; Los Angeles-Long Beach, San Pedro denied.	Mar. 12, 1919
4317				
4172	Louis Spisito	Freight service, Sacramento Auburn	Granted	Mar. 12, 1919
4119	Peter Larson	Passenger and freight service, Isabella Onyx	Granted	Mar. 22, 1919
4382	De Luxe Transportation Co.	Passenger service, Oakland, Hayward, San Jose	Granted	Mar. 22, 1919
1157	Stockton Holt Stage Co.	Passenger service, Holt Station Old River Bridge	Granted	April 2, 1919
3639	San Francisco-San Jose Express Co.	Freight service, San Francisco-San Jose	Granted	April 3, 1919
4183	Harry J. Beckley	Passenger service, Suisun Los Angeles	First supplemental order	April 11, 1919
4324	Henry Johnston	Passenger and freight service, Ukiah Potter Valley	First supplemental order	April 11, 1919
4259	El Borrado Motor Transportation Co.	Freight service, Sacramento-Lake Tahoe	Granted	April 11, 1919
4344	Pickwick Stages	Passenger service, Los Angeles Camarillo	First supplemental order	April 14, 1919
4191	Paul Thon	Passenger service, Merced Falls-Merced City	Granted	April 16, 1919
4329	Clark's Bus Line	Transfer property to White Bus Line	Granted	May 10, 1919
4462	Oakland Valley Transit Co.	Passenger service, Oakland-Rodeo	Granted	May 12, 1919
4174	M. Haydis	Passenger service, San Diego El Centro-Capezio Imperial.	Granted	May 12, 1919
4404	Watt L. Mordland	Passenger service, San Jose-Palo Alto	Granted	May 14, 1919
4298	Hicks & Vassallo	Passenger service, Stockton Lodi	Granted	May 14, 1919
4370	William D. Lynk	Freight service, Colusa-Archiele	Granted	May 14, 1919
4481	Eastern Truck Line	Freight service, Oakland Livermore	Granted	May 26, 1919
4301	Plaza Stages	Applicant, a co-partnership, applies for permission to transfer its certificate and permits to an in- corporated company of the same name.	Granted	May 26, 1919

AUTO STAGES; TRUCKS; JITNEY BUSES—Continued.

Dec. No.	Application No.	Applicant	Petition	Action	Date
6293	4497	United Stages Co., Pope Winton Stage Line	Petition of United Stages for certificate to operate passenger service between Sacramento and Placerville and to purchase property of Pope Stages.	Granted	June 3, 1919
6365	4137	O. E. Squier	Passenger service, Williams-Bartlett Springs.	Denied: adequate service already given.	June 3, 1919
6366	4127	Vernon H. Squier	Passenger and freight service, Willows-Butte City	Granted	June 3, 1919
6367	4367	River Express Co.	Express and freight service, Stockton-Oakland	Granted	June 3, 1919
6368	4612	A. J. Kuss	Passenger service, Santa Ana-Sana	Granted	June 3, 1919
6371	4607	E. E. Tremaine	Passenger and baggage service, Crocker-Carlins	Granted	June 3, 1919
6372	4613	Morred Mariposa Auto Co.	Passenger service, Morred Mariposa	Granted	June 3, 1919
6376	4392	Clayton B. Swayze	Passenger service, San Jose-Santa Clara County Hospital.	Granted	June 3, 1919
6384	4604	Plaza Stages	Supplemental order approving local resolutions authorizing transfer of permits.	First supplemental order	June 5, 1919
6404	4441	Hany Harry R.	Establish passenger service, Lemon Cove-Kaweah.	Denied	June 10, 1919
6426	4580	W. & S. Truck Co.	Establish freight service, Los Angeles-Riverside.	Granted	June 25, 1919
6429	4480	R. B. Crozier	Establish passenger service, Riverside-Santa Ana.	Granted	June 25, 1919
6444	4420	Beckley & Hope	Passenger service, Camarillo-Los Angeles.	Dismissed	June 25, 1919
6450	4370	William D. Lyuk	Passenger service, Arbutus-Colusa.	First supplemental order	June 25, 1919
6451	4362	R. E. Skinner	Freight service, Fresno-Porterville.	Dismissed	June 25, 1919
6452	3663	Pickwick Stages	Passenger service, San Diego, Imperial, Riverside, Orange, Los Angeles counties	First supplemental order	June 25, 1919

DISMISSALS (CASES).

Page No.	Case No.	Date of dismissal	Complainants and defendants
5743	1224	Sept. 14, 1918	Graves Spears Road Machinery Co. vs. Southern Pacific Co. and Atchison, Topeka and Santa Fe Railway Co.
5771	821	Sept. 18, 1918	City of Azusa vs. Pacific Light and Power Corporation.
5788	1256	Sept. 19, 1918	L. G. Zimwalt et al. vs. Sacramento Valley West Side Canal Company.
5798	1143	Sept. 23, 1918	E. C. Landblom vs. Round Valley Water Co. and Plumas Light and Power Co.
5870	1271	Oct. 28, 1918	Rosenberg Bros. & Co. and Spring Valley Water Co.
5882	1285	Oct. 31, 1918	Lompoc Light and Power Co. vs. Midland Counties Public Service Corporation.
5991	1288	Nov. 20, 1918	Bay Cities S. & A. Co. vs. Pacific Tel. and Tel. Co.
6047	1297	Dec. 31, 1918	Fred Kohler Jr. vs. Patterson Water Co.
6050	1214 15	Jan. 15, 1919	John Lyter vs. Chino Water Co.
6050	1076	Jan. 15, 1919	C. E. Berry et al. vs. Oro Loma Farms Co.
6056	1290	Jan. 20, 1919	Thos. R. Hanna vs. Port Costa Water Co.
6083	1196	Jan. 27, 1919	Mary E. Hammonds vs. Oro Loma Farms Co.
6113	1221	Feb. 12, 1919	City of Glendale vs. Pacific Tel. and Tel. Co.
6127	1235	Feb. 14, 1919	Frank G. Waterhouse et al. vs. Bolinas Water Co.
6130	1259	Feb. 14, 1919	Rebecca M. Riggles et al. vs. O. A. Robertson Fair Oaks Water Service.
6131	1210	Feb. 14, 1919	J. W. Stephens vs. O. A. Robertson, etc.
6132	1241	Feb. 14, 1919	M. L. Pinanie vs. O. A. Robertson, etc.
6133	1212	Feb. 14, 1919	J. J. Kenally et al. vs. O. A. Robertson, etc.
6134	1213	Feb. 14, 1919	J. O. Conter et al. vs. O. A. Robertson, etc.
6135	1214	Feb. 14, 1919	A. F. Coutere et al. vs. O. A. Robertson, etc.
6136	1215	Feb. 14, 1919	Mattie J. Helloune et al. vs. O. A. Robertson, etc.
6137	1216	Feb. 14, 1919	Jessie W. King vs. O. A. Robertson, etc.
6142	1057	Feb. 25, 1919	D. G. Gordon vs. James A. Murray et al.
6149	1109	Feb. 25, 1919	Ernest Sangford vs. N. L. Fitzhenry.
6150	1112	Feb. 25, 1919	Robert W. Bramhall vs. O. A. Robertson, etc.
6156	1266	Feb. 25, 1919	L. E. Hanchett vs. Capitola-Hiñn Co.
6168	1286	Feb. 27, 1919	Ventura Pacific Oil Co. vs. Harris Oil Co.
6185	1283	Mar. 12, 1919	Quincy Fire District vs. Quincy Water Works.
6225	1216	Mar. 26, 1919	W. E. Cummins et al. vs. Los Angeles Gas and Electric Corp.
6232	1222	April 2, 1919	Town of Corte Madera vs. Corte Madera Water Co. et al.
6233	1265	May 2, 1919	Joseph B. Dabney vs. San Joaquin Light and Power Co.
6255	1289	May 9, 1919	Helix Mutual Water Co. vs. Chiyamaca Water Co.
6255	1254	May 26, 1919	Frank F. Wear vs. California Suburban Home Co.
6257	1258	May 24, 1919	Hunery Hollow Water Users Association vs. Yolo Water and Power Co.
6264	1124	June 3, 1919	W. R. Gore vs. Robertson Fair Oaks Water Service.
6277	1123	June 3, 1919	E. H. Gilmor vs. Robertson Fair Oaks Water Service.
6300	1251	June 10, 1919	City of Stockton vs. Pacific Gas and Electric Company.
6401	1191	June 10, 1919	Patterson Glass Co. vs. Pacific Gas and Electric Co.
6416	1121	June 17, 1919	City of Paso Robles vs. Midland Counties Public Service Corp.
6417	340 229, 310 332	June 17, 1919	Crossey Colony Co. et al. vs. Crocker-Huffman Land and Water Co.
6419	819	June 17, 1919	John Gumbel vs. Crocker-Huffman Land and Water Co.
6429	957	June 17, 1919	J. M. Machado vs. Crocker-Huffman Land and Water Co.
6337	1217	June 25, 1919	San Joaquin Light and Power Co. vs. Mount Whitney Power and Electric Co.
6413	1201	June 25, 1919	City of Watts vs. Pacific Electric Railway.
6445	1321	June 25, 1919	George H. Gay et al. vs. Pacific Tel. and Tel. Co.

DISMISSALS (APPLICATIONS).

Dec. Application No.	Applicant	Petition	Date
5761	Carlton H. Fekes	To establish auto service	Sept. 14, 1918
5767	Ralph Poquette	To establish auto stage service	Sept. 16, 1918
5791	Mitchell Auto Stage Co.	State line between Los Angeles and Bakersfield	Sept. 26, 1918
5824	Pacific Electric Railway Co.	To abandon track, Riverside	Oct. 1, 1918
5835	La Habra Valley Land and Water Co.	To sell water plant	Oct. 1, 1918
5831	Mallette & Mosher	To establish freight service between San Diego and Los Angeles	Oct. 3, 1918
5829	C. W. Bowen	To establish stage service Carmel and Monterey	Oct. 9, 1918
4031	San Joaquin County	To construct crossing	Oct. 9, 1918
5853	Cerro Gordo Mines Co.	To construct crossing	Oct. 21, 1918
5881	Orange Cove Irrigation Co.	Protest	Oct. 28, 1918
5641	Mitchell Auto Stage Co.	To issue stock and notes	Nov. 12, 1918
4139	Mertshaw Construction Co.	To construct spur track	Nov. 12, 1918
4156	Pacific Gas and Electric Co.	Sacramento street railway rates	Nov. 23, 1918
5711	S. M. Warr	To establish auto service Los Angeles and Downey	Nov. 30, 1918
5648	Wallace & Alexander	To establish passenger service, Fresno and Coalinga	Dec. 3, 1918
5975	George and Lily Berg	To transfer telephone syst m.	Dec. 5, 1918
5781	County of Tulare	To construct crossing	Dec. 16, 1918
5981	County of Tulare	To construct crossing	Dec. 16, 1918
6143	Cuyamaca Water Co.	To increase water rates	Dec. 30, 1918
6018	Fremont Transit Co.	To establish stage service, San Francisco-Fremont	Jan. 3, 1919
6049	Highway Transportation Co.	To establish freight service, Los Angeles-San Bernardino	Jan. 15, 1919
6111	Producers Transportation Co.	To transfer prop rties	Feb. 1, 1919
6110	Guido de Cretaldi	To establish freight service, Lakeport-Hopland	Feb. 13, 1919
6128	Southern Pacific Co.	To increase switching charges	Feb. 14, 1919
6168	Interstate Telegraph Co.	To change toll rates	Feb. 25, 1919
6151	Phinas Light and Power Co.	Transfer of water rights	Feb. 25, 1919
6154	Interurban Transfer Co.	Auto freight service, Los Angeles-Santa Ana	Feb. 25, 1919
6171	A. M. Dorn	Auto stage service, Selma-Fresno	Mar. 4, 1919
6172	San Jose-Palo Alto Transportation Co.	Auto stage service, San Jose-Palo Alto	Mar. 4, 1919
6189	Lanuce Light and Power Co.	To increase rates	Mar. 12, 1919
6200	Snow Mountain Water and Power Co.	To issue stock	Mar. 17, 1919
6202	Dixon's Peninsula Express	Freight service, San Francisco-San Jose	Mar. 22, 1919
6243	Bay Shore Delivery Co.	Freight service, San Francisco-Palo Alto	Mar. 22, 1919
6246	Los Angeles Valley Warehouse Co.	To increase storage rates	April 3, 1919
6258	La Jolla Electric Line	To issue stock and bonds	April 4, 1919
6259	Howell Bus	To establish auto passenger service, Centerville-Fresno	April 4, 1919

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4240	Fresno-Visalia Auto Freight Line	To establish auto freight service, Fresno-Tulare	April 4, 1919
4311	Kings County Canal Co.	Execute operating agreement	April 4, 1919
4317	F. A. Wilson	Auto stage line	May 2, 1919
4318	Paul G. Cochran	Certificate auto freight service	May 2, 1919
4340	E. G. Hopson	To issue stock	May 10, 1919
4341	Westmoreland Waste Ditch Co.	To abandon water system	May 10, 1919
4347	George S. Montcomery	To increase water rates	May 10, 1919
4349	Laguna Cliffs Water Co.	Water system	May 26, 1919
4382	S. E. Davis	To sell receiver's certificates	June 10, 1919
4383	Canal and Irrigation System	To determine property damage due to construction of undergrade crossing	June 10, 1919
4387	City of Palo Alto	Certificate to operate warehouse, not necessary	June 10, 1919
4433	Colony Holding Corporation		June 23, 1919
4489	Southwestern Home Telephone Co.		June 25, 1919
			June 26, 1919

GRADE CROSSINGS, TRACK ABANDONMENTS AND SPUR TRACKS.

Decision No.	Application No.	Applicant	Location	Action	Date
5755	4070	A. T. and S. F. Railway Co.	Eseondido	Granted	Sept. 14, 1918
5756	4068	Southern Pacific Co.	Morgan Hill	Granted	Sept. 14, 1918
5769	4049	San Francisco-Oakland Term. Ry.	Alameda	Granted	Sept. 18, 1918
5783	4043	San Diego and Arizona Ry. Co.	National City	Granted	Sept. 18, 1918
5798	4079	Southern Pacific Co.	Kern County	Granted	Sept. 26, 1918
5803	4068	A. T. and S. F. Railway Co.	Oakland	Granted	Sept. 30, 1918
5804	3815	Southern Pacific Co.	Tehama County	Granted	Oct. 1, 1918
5835	4083	San Joaquin County	Manteca	Granted	Oct. 1, 1918
5836	4083	Southern Pacific Co.	Brawley	Granted	Oct. 1, 1918
5867	4108	Northwestern Pacific Railroad Co.	Ukiah	Granted	Oct. 1, 1918
5868	4101	A. T. and S. F. Railway Co.	Corcoran	Granted	Oct. 1, 1918
5869	4110	Southern Pacific Co.	Willows	Granted	Oct. 1, 1918
5810	4102	A. T. and S. F. Railway Co.	Richmond	Granted	Oct. 1, 1918
5811	4122	Pacific Electric Railway	San Pedro	Granted	Oct. 1, 1918
5840	4116	San Joaquin County	Manteca	Granted	Oct. 9, 1918
5841	3646	Newport Beach	Newport Beach	Granted	Oct. 9, 1918
5842	3309	Siskiyou County	Hornbrook	Granted	Oct. 9, 1918
5847	3738	Pacific Electric Railway	1	Granted	Oct. 11, 1918
5852	4154	A. T. and S. F. Railway Co.	Oakland	Granted	Oct. 21, 1918
5853	4155	Pacific Electric Railway Co.	San Pedro	Granted	Oct. 21, 1918
5854	4160	A. T. and S. F. Railway Co.	Bakersfield	Granted	Oct. 21, 1918
5877	3194	A. T. and S. F. Railway Co.	Riverbank	Granted	Oct. 28, 1918
5888	2659	Bay Shore Railway Co.	2	Granted	Nov. 1, 1918
5866	4185	A. T. and S. F. Railway Co.	Fresno	Granted	Nov. 4, 1918
5917	4211	A. T. and S. F. Railway Co.	Los Angeles	Granted	Nov. 14, 1918
5918	4199	A. T. and S. F. Railway Co.	Bakersfield	Granted	Nov. 14, 1918
5919	4204	Southern Pacific Co.	Calexico	Granted	Nov. 19, 1918
5945	4016	Yolo County	Swingle	Granted	Nov. 19, 1918
5948	4175	Pacific Electric Railway Co.	3	Granted	Nov. 20, 1918
5952	4197	City of Fillmore	Fillmore	Granted	Nov. 20, 1918
5936	2849	San Bernardino County	Ailsa	Granted	Dec. 3, 1918
5993	4151	Fresno County	Herndon	Granted	Dec. 18, 1918
5994	3578	Fresno County	Mendota	Granted	Dec. 18, 1918
5998	4150	Fresno County	Fresno	Granted	Dec. 21, 1918
6001	4092	Solano County	Cordelia	Granted	Dec. 21, 1918
6003	3664	City of Selma	Selma	Granted	Dec. 21, 1918
6009	4107	Los Angeles County	Baldwin Park	Granted	Dec. 21, 1918
6028	4277	A. T. and S. F. Railway Co.	Vernon	Granted	Dec. 27, 1918
6041	4243	San Diego Electric Railway	San Diego	Granted	Dec. 30, 1918
6062	4298	A. T. and S. F. Railway Co.	Costa	Granted	Jan. 15, 1919
6089	4315	A. T. and S. F. Railway Co.	San Diego	Granted	Jan. 28, 1919
6092	4274	Pacific Electric Railway Co.	4	Granted	Jan. 28, 1919
6093	4235	Pacific Electric Railway Co.	5	Granted	Jan. 28, 1919
6115	4276	Pacific Electric Railway Co.	6	Granted	Feb. 13, 1919
6118	4369	A. T. and S. F. Railway Co.	Bakersfield	Granted	Feb. 13, 1919
6119	4307	Los Angeles County	Rivera	Granted	Feb. 13, 1919
6120	4373	A. T. and S. F. Railway Co.	Emeryville	Granted	Feb. 13, 1919
6121	4247	Pacific Electric Railway	7	Granted	Feb. 13, 1919
6122	4372	A. T. and S. F. Railway Co.	Oakland	Granted	Feb. 13, 1919
6126	4356	A. T. and S. F. Railway Co.	Richmond	Granted	Feb. 14, 1919
6144	2153	Redondo Beach	Redondo Beach	Denied	Feb. 25, 1919
6145	4330	Los Angeles County	Los Angeles County	Granted	Feb. 25, 1919
6162	4081	Santa Barbara County	Santa Barbara County	Granted	Feb. 25, 1919
6194	4386	Tonopah and Tidewater Railway	8	Granted	Mar. 12, 1919

¹Abandon spur track, Wilmar.

²Abandon railway till June 1, 1919.

³To abandon La Rambla line, Los Angeles.

⁴To abandon trackage San Bernardino County.

⁵To abandon trackage Santa Monica.

⁶To abandon trackage Redondo Beach.

⁷To abandon section of San Pedro line.

⁸To abandon interlocking plant.

GRADE CROSSINGS, TRACK ABANDONMENTS AND SPUR TRACKS —Continued.

Abandonment No.	Abandonment No.	Applicant	Location	Action	Date
6285	4368	Southern Pacific Co.	Anaheim	Granted	Mar. 12, 1919
6287	4366	Contra Costa County	Bay Point	Denied	Mar. 22, 1919
	4367				
6301	4352	Tulare County	Terra Bella	Granted	Mar. 22, 1919
6312	4379	Tulare County	Orangehurst	Denied	Mar. 23, 1919
6315	4389	Tulare County	Earlsmart	Granted	Mar. 23, 1919
6317	4415	Southern Pacific Co.	Newark	Granted	Mar. 23, 1919
6318	4411	A. T. and S. F. Railway Co.	San Francisco	Granted	Mar. 23, 1919
6319	4392	Southern Pacific Co.	Stockton	Granted	Mar. 23, 1919
6327	4433	Southern Pacific Co.	Hanford	Granted	Mar. 25, 1919
6329	4435	Southern Pacific Co.	Raymond	Granted	Mar. 27, 1919
6334	4461	A. T. and S. F. Railway Co.	San Diego	Granted	April 2, 1919
6337	4382	Pacific Electric Railway Co.	1	Granted	April 4, 1919
6343	4364	Tulare County	Woodlake	Granted	April 4, 1919
6348	4384	City of Santa Barbara	Santa Barbara	Granted	April 11, 1919
6350	4369	Los Angeles County	County line	Granted	April 11, 1919
6351	4453	Pacific Electric Railway	2	Granted	April 11, 1919
6352	4563	A. T. and S. F. Railway Co.	Berkeley	Granted	April 11, 1919
6353	4561	A. T. and S. F. Railway Co.	3	Granted	April 14, 1919
6354	4368	Southern Pacific Co.	Porterville	Granted	April 14, 1919
6355	4400	Southern Pacific Co.	San Francisco	Granted	April 15, 1919
6361	4467	San Diego and Arizona Railway	San Diego	Granted	April 15, 1919
6365	4432	Southern Pacific Co.	Los Banos	Granted	April 16, 1919
6366	4489	San Diego and Arizona Railway	Chula Vista	Granted	April 16, 1919
6373	4418	Sacramento County	Freeport	Granted	April 16, 1919
6391	4324	San Francisco	Tuolumne County	Granted	April 26, 1919
6392	4324	State of California	Oroville	Granted	April 25, 1919
6393	4535	A. T. and S. F. Railway Co.	Hanford	Granted	April 25, 1919
6394	4544	Southern Pacific Co.	Stratford	Granted	May 2, 1919
6395	4546	Southern Pacific Co.	Fresno	Granted	May 2, 1919
6397	4541	Fresno Interurban Railway	Fresno County	Granted	May 2, 1919
6398	4544	Southern Pacific Co.	Florin	Granted	May 10, 1919
6399	4556	Siskiyou County	Siskiyou County	Granted	May 10, 1919
6400	4575	Lake Tahoe Ry. and Trans. Co.	Truckee	Granted	May 14, 1919
6401	4417	County of Fresno	Fresno County	Granted	May 23, 1919
6402	4437	County of Tulare	Porterville	Denied	May 23, 1919
6403	4464	County of Tulare	Sultana	Granted	May 23, 1919
6404	4467	County of Tulare	Woodlake	Granted	May 23, 1919
6405	4471	County of Fresno	Kerman	Granted	May 23, 1919
6406	4545	County of Contra Costa	Bixler	Granted	May 26, 1919
6407	4544	City of Selma	Selma	Granted	June 6, 1919
6408	4568	Southern Pacific Co.	Palo Alto	4	June 6, 1919
6409	4579	County of San Bernardino	Kramer	Granted	June 6, 1919
6410	4580	County of San Bernardino	Kramer	Granted	June 10, 1919
6411	4580	County of Yolo	Laughenour	Granted	June 25, 1919
6412	4603	A. T. and S. F. Railway Co.	Hanford	Granted	June 25, 1919
6413	4607	Southern Pacific Co.	West San Jose	Granted	June 25, 1919
6414	4605	Southern Pacific Co.	Watsonville	Granted	June 25, 1919
6415	4609	Southern Pacific Co.	Berkeley	Granted	June 25, 1919
6416	4654	Southern Pacific Co.	Florence	Granted	June 26, 1919

¹To abandon trackage Riverside.

²To abandon spur track Los Angeles County.

³Suspend interlocking plant Highland Junction.

⁴Grant permission to reduce crossing protection.

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